FILED
JUL 17 1967
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 391

JOSEPH BANCROFT & SONS CO.,
Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

THOMAS M. MARSHALL
59 Maiden Lane
New York, N. Y.

THOMAS N. O'NEILL, JR.
1421 Chestnut Street
Philadelphia, Pennsylvania
Counsel for Petitioner

Of Counsel:

JAMES H. CALLAHAN
KENYON & KENYON
New York, New York

C. BREWSTER RHOADS
MONTGOMERY, MCCRACKEN, WALKER & RHOADS
Philadelphia, Pennsylvania

INDEX

	PAGE
Citations to Opinions below	1
Jurisdiction	2
Questions presented	3
Constitutional Provisions and Statutes involved	4
Statement of the case	4
Reasons for Granting Writ	6
Argument	12
Conclusion	23
Appendix A—Provisions & Statutes	1a
B—Opinions & Judgments below	2a

CITATIONS

CASES:

Amalgamated Clothing Workers v. *Richmond Bros., Co.*, 385 U. S. 511 (1955)	21
Beacon Theatres, Inc. v. *Westover*, 359 U. S. 500 (1959)	16
Commerce Oil Refining Corp. v. *Miner*, 303 F. 2d 125 (1st Cir. 1962)	20
Dairy Queen, Inc. v. *Wood*, 369 U. S. 469 (1962)	16
Deckert v. *Independence Corp.*, 311 U. S. 382 (1940)	18
Drop Dead Co. v. *S. C. Johnson & Son, Inc.*, 326 F. 2d 87 (9th Cir. 1963)	19
Enelow v. *New York Life Insurance Co.*, 293 U. S. 379 (1935)	22
Gumbel v. *Pitkin*, 124 U. S. 131 (1888)	7, 13, 16

PAGE

Helene Curtis Industries, Inc. v. *Sales Affiliates, Inc.*, 247 F. 2d 940 (2d Cir. 1957) 11, 20

Kessler v. *Eldred*, 206 U. S. 285 (1907) 21

H. M. Kolbe Co. v. *Armgus Textile Co.*, 315 F. 2d 70 (2d Cir. 1963) 19

Kontes Glass Co. v. *Lab Glass, Inc.*, 373 F. 2d 319 (3d Cir. 1967) 19

Land v. *Dollar*, 330 U. S. 731 (1947) 12

Larson v. *Domestic & Foreign Commerce Corp.*, 337 U. S. 682 (1949) 12

Marconi Wireless Co. v. *United States*, 320 U. S. 1 (1943) 8, 14, 19

Nationwide Charters & Conventions, Inc. v. *Garber*, 254 F. Supp. 85 (D. Mass. 1966) 14

Pueblo de Taos v. *Archuleta*, 64 F. 2d 807 (10th Cir. 1943) 7, 13, 16

Reeve Music Co. v. *Crest Records, Inc.*, 285 F. 2d 546 (2d Cir. 1957) 19

Reid v. *Prentice-Hall, Inc.*, 251 F. 2d 700 (6th Cir. 1958) 7, 13, 16

Rosemont Enterprises, Inc. v. *Random House, Inc.*, 256 F. Supp. 55 (S. D. N. Y. 1966), rev'd 366 F. 2d 303 (2d Cir. 1966), counterclaim dismissed 261 F. Supp. 691 (S. D. N. Y. 1966) 14

Shearman v. *Missouri Pacific Railroad Co.*, 250 F. 2d 191 (8th Cir. 1957) 19

Sperry Rand Corp. v. *Rothlein*, 288 F. 2d 245 (2d Cir. 1961) 10, 11, 20, 22

Toucey v. *New York Life Insurance Co.*, 314 U. S. 118 (1941) 20, 21

United States v. *General Motors Corp.*, 323 U. S. 373 (1945) 12

United States v. *Powell*, 379 U. S. 48 (1964) 7, 12

PAGE

PROVISIONS AND STATUTES:

Seventh Amendment to the United States Constitution 4

Judiciary and Judicial Procedure Act of June 25, 1948, Title 28 United States Code

Sec. 1292(a)(1) (28 U. S. C. 1292(a)(1)) ..3, 4, 9, 17, 18, 19

Sec. 2283 (28 U. S. C. 2283) ...4, 10, 11, 20, 21, 22

MISCELLANEOUS:

Federal Rules of Civil Procedure

52(a) 18

52(b) 8, 15

60(b) 8, 15

House of Representatives Report No. 308, 80th Congress, 1st Session, p. A181-182 (1947) 21

Harvard Law Review

Vol. 75, p. 351 (1961) 18

Vol. 78, p. 994 (1965) 21

University of Pennsylvania Law Review

Vol. 114, p. 561 (1966) 21

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. .....

JOSEPH BANCROFT & SONS CO.,

Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit entered on March 8, 1967, petition for rehearing denied April 20, 1967.

CITATIONS TO OPINIONS BELOW

1. "Memorandum Opinion and Order" entered by the District Court December 28, 1964 (Appendix B, p. 2a)—unreported—permitting "additional evidence" and directing a "further hearing" on respondent's allegations of abuse of process in the institution and prosecution of petitioner's action previously tried and decided in petitioner's favor.[1]

[1]Action for trademark infringement, unfair competition and breach of contract, based on 15 U. S. C. 1121 and 28 U. S. C. 1338(b) was filed in 1958. Earlier decisions in the case include: decision of the

2. "Opinion and Order" entered by the District Court September 2, 1965 (Appendix B, p. 4a)—245 F. Supp. 523 (E. D. Pa. 1965)—adding findings of fact Nos. 175-177 and conclusions of law Nos. 19-21 supplementing findings 1-174 and conclusions 1-18 of the December 26, 1962 adjudication, 212 F. Supp. 715 (E. D. Pa. 1962) (R. 206a-288a). It also enjoined respondent "pending final judgment of this action" from further prosecution of two actions commenced against petitioner in 1963 charging abuse of process and conspiracy in bringing this action.[2]

3. "Opinion" and "Judgment" of the Court of Appeals entered March 8, 1967 (Appendix B, p. 11a, 20a respectively)—374 F. 2d 281 (3d Cir. 1967)—vacating not only the order enjoining respondent from prosecuting its actions against petitioner but also "the supplemental adjudication." Rehearing denied April 20, 1967 (Appendix B, p. 34a).

JURISDICTION

The judgment of the Court of Appeals, which is the subject of this petition, was entered March 8, 1967 (Appendix B, p. 20a).

A timely motion for rehearing was denied on April 20, 1967 (Appendix B, p. 34a). The jurisdiction of this Court is invoked under 28 U. S. C. 1254 (1).

District Court on motion for preliminary injunction, 175 F. Supp. 107 (E. D. Pa. 1958)—reversed on appeal, 268 F. 2d 569 (3d Cir. 1959); adjudication for petitioner, December 26, 1962, after trial on the merits, including Findings of Fact Nos. 1-174 and Conclusions of Law Nos. 1-18 and retaining jurisdiction during an accounting which is still pending, 212 F. Supp. 715 (E. D. Pa. 1962) (R. 206a-288a).

[2]On September 11, 1963 respondent commenced two actions in the Court of Common Pleas at Philadelphia County: No. 5521 in Court No. 7 against petitioner for abuse of process in instituting and prosecuting this action (by removal now C. A. 34244 in the United States District Court for the Eastern District of Pennsylvania) and No. 5522 in Court No. 1 against petitioner and others for conspiracy, an alleged overt act of which was the institution and prosecution of this action (R. 297a-309a)

QUESTIONS PRESENTED

I.

Where a defendant charges abuse of process by the plaintiff in instituting and prosecuting an action and presents evidence in support of its charges at the trial,

(a) is it legally incumbent upon the trial court in that action, while the case is still within its jurisdiction, to determine that issue before final judgment?

(b) is it proper for the trial court before final judgment while the case is still within its jurisdiction, to provide the parties with an opportunity to present further evidence and argument and to enter supplemental findings and conclusions on that issue after defendant had commenced separate actions against the plaintiff based on the same charge?

(c) does the institution of later actions by defendant, demanding trial by jury of the same charge, bar exercise of the court's duty to determine that charge and bar entry of supplemental findings and conclusions on that issue by the trial court in which the original action was heard and decided and whose process is alleged to have been abused?

II

Does the jurisdiction of the Court of Appeals pursuant to the "Interlocutory Decisions" statute, 28 U. S. C. 1292 (a) (1), extend beyond the power to reverse injunctions to include the power to vacate findings and conclusions of the District Court which are relevant to the right of plaintiff to recover on the merits of the original action in that court?

III

In an action pending before it, is a District Court prohibited by 28 U. S. C. 2283 from entering an order enjoining (*pendente lite*) the relitigation of issues of fact and law in separate conspiracy and abuse of process actions originally commenced in state courts after determination of the underlying issues in the pending action?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

This case involves the Seventh Amendment to the United States Constitution and Section 1292(a) (1) and Section 2283 of Title 28 of the United States Code, all of which are set forth in Appendix A hereof.

STATEMENT OF THE CASE

In 1958, petitioner filed an action against respondent seeking an injunction and damages for trademark infringement, unfair competition and breach of contract, based on 15 U. S. C. 1121 and 28 U. S. C. 1338(b). Prior to and during the trial of this action, respondent charged that petitioner had instituted and was prosecuting the action in bad faith for the purpose of destroying respondent's business (Respondent's Pre-Trial Memorandum, R. 33a; Cross-examination of Mr. Mersereau, R. 115a-116a; Post Trial Argument, R. 182a-205a). In support of this charge respondent addressed a large part of its case to an attempt to prove that petitioner had waived the trademark infringement, unfair competition and contract breaches complained of, or was estopped to assert them, because allegedly petitioner had kept respondent in business by promising a loan of $50,000, arranged for it to obtain additional credit from

respondent's supplier, offered a $100,000 advertising campaign, and then brought this action (at a time when respondent was attempting to liquidate its stock of substandard goods improperly marked with petitioner's trademark) not for its ostensible purpose, but to drive respondent out of business. (See cross-examination by respondent's trial counsel of petitioner's witnesses and employees, including Dr. Lippert and Messrs. Mersereau, Rainard and MacIntyre, R. 80a-85a, 106a-109a, 130a-147a, and 162a-168a).

After full trial, briefs and argument throughout which respondent reiterated the charge of bad faith (Post Trial Argument, R. 193a-198a), the District Court in December, 1962 gave judgment for petitioner on the merits. The Court entered specific conclusions of Law that: a) there had been no waiver by petitioner (Conclusions 4, 10 and 11, R. 284a-285a) and that b) petitioner was entitled to an accounting for all profits (Conclusion 18, R. 287a) because respondent had knowingly and intentionally infringed petitioner's trademark, was guilty of unfair competition and had breached the contract (Conclusions 12, 14, and 15, R. 285a-286a). Jurisdiction was retained pending an accounting which is still in progress (Adjudication R. 288a).

On September 11, 1963, respondent brought the actions (referred to *supra* in footnote 2) for abuse of process and conspiracy. The complaints allege essentially the same facts as those which respondent unsuccessfully sought to prove as its defense of waiver or estoppel at the trial of the instant action (Complaints R. 297a-309a).

On November 1, 1963, petitioner (in this pending action) moved the District Court for an injunction to stay the actions brought by respondent and for an order that the issues had been determined in the December 26, 1962 adjudication (Motion R. 289a-296a). In July, 1964 respond-

ent moved to add as counterclaims the allegations contained in the new complaints (Motion R. 314a-318a). A hearing on both motions was held on November 6, 1964. The District Court entered its Memorandum Opinion and Order of December 26, 1964 (Appendix B, p. 2a) allowing the parties to supplement the record by additional evidence on the issue of abuse of process and setting a date for that purpose.[3] Having been advised on February 17, 1965 that no further evidence would be offered by either party and respondent having filed a petition to vacate the Order of December 28, 1964 (Petition R. 344a-347a), the District Court on September 2, 1965 entered its Opinion and Order (Appendix B p. 4a) denying respondent's motion to vacate and setting forth in Paragraphs (2) and (3) its supplemental Findings of Fact Nos. 175-177 and Conclusions of Law Nos. 19-21, to make explicit what had been implicit in its earlier findings and conclusions. In Paragraph (4) of that Order the District Court stayed respondent's new actions.

Respondent appealed only from the injunction order of Paragraph (4).

The Court of Appeals vacated both the injunction order (Paragraph 4) and the supplemental adjudication (Paragraphs 2 and 3) (Appendix B, p. 20a). Petition for Rehearing was denied (Appendix B, p. 34a).

REASONS FOR GRANTING WRIT

I.

This Court should grant this writ to resolve the conflict between the decision of the court below that the charge of abuse of a federal court's process "constituted no affront to the dignity or authority of the court" . . . (Appendix B,

[3]The Court explained the import of that order in a colloquy with counsel on the date set for the hearing, February 2, 1965 (Transcript R. 334a-339a. See footnote 6, *infra*).

p. 18a), and the firmly established policy expressed by this Court as recently as *United States* v. *Powell,* 379 U. S. 48, 58 (1964) that "a court may not permit its process to be abused." In addition, this Court's decision in *Gumbel* v. *Pitkin,* 124 U. S. 131 (1888) and decisions relying on that case by other circuits[4] are in conflict with the holding by the Court of Appeals below, i.e. that the charge of abuse of the process of a federal court in an action pending before it which is made the subject matter of separate complaints originally filed in a state court after an interlocutory decision is "Such a claim [that] is entitled to the independent determination which [respondent] has evoked." (Appendix B, p. 18a) This Court should affirm the rule of law that a court has a *duty* to determine any allegation of abuse of its process. This Court should grant this writ to resolve these conflicts and to rule on this matter which is of vital importance to the orderly administration of justice in federal courts.

This Court should also grant this writ to resolve the conflict between the decision of the Court of Appeals below that in an action pending before a federal judge:

> "It is undesirable for a federal judge to look over his shoulder long after he has decided a case on

---

[4] *Pueblo de Taos* v. *Archuleta,* 64 F. 2d 807, 813 (10th Cir. 1943):

> "A court has inherent power to determine whether its process is used for the purpose of vexation or fraud, instead of the single purpose for which it is intended—the adjudication of bona fide controversies. It is the duty of the court to prevent such abuse, and a dismissal of the cause is an appropriate way to discharge that duty [citing cases including *Gumbel*]"

Reid v. *Prentice-Hall Inc.,* 261 F. 2d 700, 701 (6th Cir. 1958):

> "The Court has inherent power, so long as it retains control of the subject matter and of the parties, to correct that which has been wrongly done by virtue of its process [citing *Gumbel,* among others]. . . The court has inherent power to punish abuse of its process by dismissal of an action in the interest of orderly administration of justice."

> the merits and then undertake to determine whether the successful party had brought the action for an improper purpose, and this is especially so where this purpose has already been made the subject matter of separate litigation." (Appendix B, p. 17a)

and this Court's decision in *Marconi Wireless Co.* v. *United States,* 320 U. S. 1, 47-48 (1943), where this Court held that a case was not final until the conclusion of the accounting and that:

> "Hence the court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case. . . . It was free in its discretion to grant a reargument based either on all the evidence then of record or only the evidence before the court when it rendered its interlocutory decision, or to reopen the case for further evidence."

Additionally, this Court should resolve the conflict between the decision of the Court of Appeals below and Rules 52(b) and 60(b) of the Federal Rules of Civil Procedure relating to reopening a case after a judgment has been rendered. This Court alone can resolve this conflict. The District Court, in its attempt to be fair by offering the parties a chance to reopen the case, has been severely criticized by the Court of Appeals, which has established a precedent in conflict with the *Marconi* decision and Rules 52(b) and 60(b). This Court should grant this writ to resolve the conflict and to correct a manifest error which severely restricts the power of a federal court to reconsider or reopen a case prior to final judgment.

An additional reason for granting this writ is to correct the holding of the court below that:

> "In the present unusual circumstances, Shelley is entitled to maintain its separate actions in which it demanded trial by jury. Its preference to stay outside the jurisdiction of the chancellor who decided the original case against it and to submit to a state court jury its claim that the action which it had lost in the federal court constituted a malicious abuse of process, should be preserved." (Appendix B, p. 18a)

This Court should make clear that, where a District Court has ruled that issues of fact have been tried and determined at the time of its interlocutory adjudication, there is no constitutionally protected right to the retrial of these issues in separate actions subsequently filed in state courts.

II.

This Court should grant this writ to construe the extent of the jurisdiction of a Court of Appeals pursuant to 28 U. S. C. 1292(a) (1) and rule that on an appeal from a preliminary injunction the Courts of Appeals may not extend their jurisdiction to include the power to vacate findings and conclusions which are relevant to the plaintiff's right to maintain the action and to recover on the merits. This Court alone may construe the statute so as to give the Courts of Appeals a binding construction of 28 U. S. C. 1292(a) (1).

III.

This Court should grant this writ to resolve the conflict between the decision of the Court of Appeals below that:

> "In holding that the court below should have declined to interfere with the separate actions which

> Shelley originally brought in the state courts, one of which is still pending there against Bancroft and the individual defendants, we also effectuate the policy which prohibits the federal courts from lightly granting injunctions against proceedings in state courts." (Appendix B, p. 18a-19a)

and the decision of the Court of Appeals for the Second Circuit in *Sperry-Rand Corp.* v. *Rothlein,* 288 F. 2d 245, 249 (2d Cir. 1961), which held:

> "We hold, however, that under the particular circumstances of this case, the district court acted well within its equitable discretion in issuing the order irrespective of authority which may or may not exist under a statute or rule of procedure. Since, as we have held, the order is not of the type prohibited by 28 U. S. C. § 2283, the court could issue an injunction to prevent unnecessary or vexatious litigation. See Higgins v. California Prune & Apricot Growers, Inc., 2d Cir., 1922, 282 F. 550. Moreover, when as in this case, the court believes that suit is being brought elsewhere to undermine a decision already made by the court, an injunction is proper. See Helene Curtis Industries, Inc. v. Sales Affiliates, Inc., 2d Cir. 1957, 247 F. 2d 940."

The Court of Appeals below has assumed that the injunction order appealed from was of the type which falls within the prohibition of 28 U. S. C. 2283 in that it interfered with respondent's right to maintain its actions originally commenced in state courts. The Court did so without regard to the status of this case which is still pending before the very District Court whose process is alleged to have

been maliciously abused. The District Court in this case has ruled that the issues of abuse and conspiracy were tried and determined at the time of the original adjudication. The Court of Appeals below has ruled that,

> "Shelley is entitled to have this decided independently and not as an interstitial addition made long after the decision on the merits in Bancroft's action against it." (Appendix B, p. 18a).

This holding is in conflict with the policies expressed in the decisions of the Second Circuit in *Sperry-Rand, supra,* and *Helene Curtis Industries, Inc.* v. *Sales Affiliates, Inc.,* 247 F. 2d 940 (2d Cir. 1957). The latter case held, at 942:

> "we hold that the District Court has the power to enjoin the defendant's attempt to relitigate already tried issues."

and further, in commenting on the District Court's holding in the action before it that the plaintiffs should proceed in the new suit by pleading estoppel or seeking a temporary injunction in the new action, the court held, at 944-945:

> "We hold that neither common sense nor precedent relegates the plaintiffs to such small comfort after six years of lengthy and expensive litigation in this circuit."

This Court should resolve the conflict and rule that in a case such as this one the granting of an injunction pending the entry of final judgment to prevent a defendant from relitigating issues already tried and determined is not prohibited by 28 U. S. C. 2283.

Even though the decision of the Third Circuit was on the appeal of an interlocutory injunction order, that decision

should be reviewed now since the vacated findings and conclusions are fundamental to the future conduct of this case. See *United States* v. *General Motors Corp.* 323 U. S. 373, 377 (1945); *Land* v. *Dollar*, 330 U. S. 731, 734 n. 2 (1947); and *Larsen* v. *Domestic & Foreign Commerce Corp.*, 337 U. S. 682, 685 n. 3 (1949).

If the Court does not now grant a writ of certiorari petitioner may lose any right to reinstate the vacated findings of fact and petitioner will, as a practical matter, be deprived of a full and explicit final adjudication on all issues involved in this action. Without the vacated findings and conclusions in a final adjudication those matters will not be available for review on any subsequent appeal in this case from a final order. Petitioner then will be subjected to two vexatious actions—one in the state courts of Pennsylvania and one in the District Court. In these two actions, because of the manner in which the Third Circuit vacated the findings of fact, petitioner may well be precluded as a practical matter from alleging *res judicata* or collateral estoppel. Petitioner may well be relegated to a *de novo* trial on issues which have already been tried before a federal judge and decided in petitioner's favor some five years previously.

ARGUMENT

I (a)

This Court stated, in *United States* v. *Powell*, 379 U. S. 48, 58 (1964) that ". . . a Court may not permit its process to be abused." That expression of long established and recognized *judicial duty* was followed by the District Court when it entered the supplemental findings and conclusions which were summarily vacated by the Court of Appeals below. The District Court concluded that there was no discretionary aspect to the exercise of its power. It did so

because it concluded that " . . . not only do we have the jurisdiction . . . it is our *judicial duty,* in an action pending before us, to investigate charges of conspiracy and malicious abuse of process in its institution and prosecution." (Appendix B, p. 8a, emphasis added).[5]

The Court of Appeals, however, ignored this line of cases and held that inasmuch as the respondent had made the charges of abuse and conspiracy the subject of complaints in state courts in which it demanded jury trial, the District Court had at most discretionary power to consider the questions and that the exercise of that power by the District Court in this case was an abuse of discretion. The District Court had found that had there been substance to either of the charges it would have been required to dismiss the cause (Appendix B, p. 6a). The Court of Appeals does not deal with that point at all.

Surely, a federal court, in an action pending before it, has a duty to investigate and determine matters involving the abuse of its process no matter from what source it becomes aware of these charges. Otherwise that court must ignore such charges and continue to deal with the case pending before it as if those charges did not exist. The District Court which heard the charges of respondent's counsel, which heard and observed the witnesses, which studied the documentary evidence and which heard the argument in support of respondent's defenses, is the court best qualified to decide whether petitioner has abused its process or has engaged in a conspiracy so to do. The holding of the Court of Appeals is to the effect that where such charges

---

[5]This holding is based on such cases as *Gumbel* v. *Pitkin,* 124 U. S. 131 (1888) as the law of that case had been interpreted in decisions by the 10th Circuit in *Pueblo de Taos* v. *Archuleta,* 64 F. 2d 807, 813 (10th Cir. 1943) and by the 6th Circuit in *Reid* v. *Prentice-Hall, Inc.,* 261 F. 2d 700, 701 (6th Cir. 1958), *supra,* footnote 4.

are made the subject of a separate action they require independent determination.

This question is a matter of current and vital interest to all federal courts. The same fundamental question has also been recently presented to District Courts in Massachusetts and New York, as well as the Second Circuit Court of Appeals. *Nationwide Charters & Conventions, Inc.* v. *Garber,* 254 F. Supp. 85 (D. Mass. 1966) and *Rosemont Enterprises, Inc.* v. *Random House, Inc.,* 256 F. Supp. 55 (S. D. N. Y. 1966), rev'd. 366 F. 2d 303 (2d Cir. 1966); counterclaim dismissed 261 F. Supp. 691 (S. D. N. Y. 1966). Thus the resolution of this question has immediate importance far beyond the particular facts and parties here involved.

Review should thus be granted on a supervisory basis to correct this instance of improper judicial administration of the process of federal courts.

I (b)

Similarly this Court should grant this writ in order to affirm that a trial court has a right to reopen or reconsider the proceedings at any time before final judgment and to enter such supplemental findings and conclusions as are necessary. The Court of Appeals' decision in this case is in conflict with the decision of this Court in *Marconi Wireless Co.* v. *United States,* 320 U. S. 1 (1943). In *Marconi,* at 47-48, this Court held that a decision is not final until the conclusion of an accounting, (the accounting is pending in this action) and that until then a court may reopen or reconsider any portion of the case and hear reargument. In its decision in this case the Court of Appeals has held that having rendered its interlocutory adjudication on December 26, 1962 the federal judge should not ". . . look over his shoulder long after he had decided a case on the

merits . . ." (Appendix B, p. 17a). The sole justification for this holding is that the respondent had made its charges of abuse and conspiracy the subject matter of complaints filed in state courts.[6] This Court should grant this writ and affirm that the District Court's decision here, permitting additional evidence if the parties desired or in deciding the case upon the basis of the record already made, is in complete accord with the rule announced in the *Marconi* case. That same rule is the subject matter of Rule 52(b) and 60(b) of the Federal Rules of Civil Procedure relating to reopening of judgments. Only this Court can correct this error of the Court of Appeals which has tied the hands of the District Courts in the Third Circuit by ruling that they cannot reopen a case pending before them to consider and dispose of a matter which is relevant and material to a plaintiff's right to relief. The Court of Appeals did not

---

[6]It is, of course, improper to attribute any delay in hearing or disposition of this matter to the trial judge. The petitioner's motion for the temporary injunction and for an order that the issues had been tried (R. 289a) was brought within two months after the state court actions were commenced on September 11, 1963. The respondent made a motion in July of 1964 to add as counterclaims in this action its complaints, but because of scheduling conflicts of counsel, a hearing on these motions could not be had until November 6, 1964. In December, 1964, the judge ordered a hearing at which each party was offered the opportunity to introduce additional evidence on the abuse of process and conspiracy allegations. At that time, February 2, 1965, the court explained its thinking as follows:

> "What I propose to do is to make specific findings in this case on those issues of abuse of process, bad faith, malicious abuse of process and conspiracy so to do in this court in relation to action 25092, which was before me.
>
> *"I realize I might have done that on the record which already existed.* However, I felt that some complaint might be made by one counsel or the other of want of notice of my intention so to do, or that one counsel or another may have felt that they were *deprived of due process* in some sense by being denied *an opportunity to offer additional or supplemental evidence on those scores,* and I therefore fixed the hearing for the date provided in my order of December 26." (R. 336a, emphasis added)

rule on the proposition of law upon which the District Court based its decision; i.e., that had it found either abuse of process or conspiracy it would have been required to dismiss petitioner's complaint. This Court should reaffirm its rulings in *Gumbel, supra,* and make clear that the law relied upon by the District Court as expressed in the *Pueblo* and *Reid* cases, *supra,* is binding on all federal courts.

I (c)

The Court of Appeals decision appears to rest somewhat on its conclusion that, once respondent demanded trial by jury in its new complaints filed originally in the state courts, the District Court was then powerless to consider the matter of whether its process had been abused or whether there had been conspiracy so to do. None of this Court's rulings with respect to the right to trial by jury in such cases as *Dairy Queen, Inc.* v. *Wood,* 369 U. S. 469 (1962) and *Beacon Theatres, Inc.* v. *Westover,* 359 U. S. 500 (1959) would in any way require the result reached by the Court of Appeals below.

In its opinion the Court of Appeals says:

> "In the present unusual circumstances, Shelley is entitled to maintain its separate actions in which it demanded trial by jury." (Appendix B, p. 18a).

In so holding the Court of Appeals did not reach the question of whether the facts alleged in the "separate actions" had been tried. Yet the District Court makes it clear that it had considered these facts:

> "we gave serious and deliberate consideration to the question of Bancroft's motivation in bringing suit, because of our awareness of the statements of Shelley's counsel. Although we made no specific

> findings on these issues which were not among those framed at final pre-trial conference, *our adjudication in Bancroft's favor necessarily reflected our conclusion that Bancroft brought the action in good faith and with no ulterior motive.*" (Appendix B, p. 5a, emphasis added)

Thus, the District Court had clearly held that these facts had been tried and determined against respondent at the time of its original adjudication. Without dealing with that question at all and without discussing the evidence, the Court of Appeals ruled that respondent was entitled to retry those issues to a jury and that its preference to retry those facts outside the jurisdiction of the court which decided against it should be preserved. (Appendix B, p. 18a)

In effect, what the decision below stands for is that a party who has not prevailed on a particular set of facts as a defense may bring a separate action relying on the same facts and thereby preclude a District Court from ruling specifically on issues which it has "necessarily" ruled on previously, and in spite of the fact that the matter is still pending before it. This determination, if left to stand as a precedent, will seriously undermine the integrity of the judgments of the federal court system. This Court, therefore, should review and reverse the judgment of the court below.

II

This Court should exercise its supervisory powers and grant this petition to correct the erroneous action which the Court of Appeals below undertook in excess of its jurisdictional limits as set forth in 28 U. S. C. 1292(a)(1). That act was the vacating, without comment, of findings and conclusions relevant to the right of petitioner to recover

on the merits of the action still pending in the District Court.[7] Had there been no injunctive order as set forth in paragraph 4 of that decision no appeal could have been taken to the Court of Appeals and hence the findings would have stood until an appeal from the final judgment. At that time those findings could have been reviewed by the Court of Appeals against the background of the entire record. Petitioner contends that the record fully supports the findings. Indeed, the Notice of Appeal filed by respondent was specifically limited to paragraph 4 of the Order which contained the injunctive relief.[8] It is that paragraph which gave rise to the Court of Appeals' jurisdiction and which limits the exercise of that court's jurisdiction.

This Court should grant this writ to determine the scope of the jurisdiction of a Court of Appeals pursuant to 28 U. S. C. 1292(a) (1). This question has not been reached by this Court since 1940 in *Deckert* v. *Independence Corp.*, 311 U. S. 382 (1940). The statutory jurisdiction of an appellate court on an interlocutory appeal is limited to considerations of the propriety of the exercise of the District Court's discretionary power to grant or refuse a preliminary injunction. See *Appealability in Federal Courts*, 75 Harv. L. Rev. 351, 367-375 (1961). Since this situation arises

---

[7] When those findings are properly reviewed their propriety must be determined by reference to Rule 52(a) which prohibits their being set aside unless they are found to be "clearly erroneous."

[8] NOTICE OF APPEAL TO COURT OF APPEALS

NOTICE is hereby given that Shelley Knitting Mills, Inc., defendant above named, hereby appeals to the United States Court of Appeals for the Third Circuit from that part of the Order entered in this action on September 2, 1965, as follows:

> "4. Pending final judgment in this action, Shelley Knitting Mills, Inc., its assignees or successors, are enjoined and restrained from further prosecution of or proceeding in Civil Action 34244 in this Court and in No. 5522 June Term 1963 in the Court of Common Pleas of Philadelphia County, unless this Court shall sooner otherwise order."

daily on appeals from any grant or denial of interlocutory injunctions, it is a question of fundamental importance that this Court must resolve.[9]

The Court of Appeals does not deal at all with the materiality, relevance or merits of the charges of abuse and conspiracy and yet, without comment, it vacates the findings by the District Court that no such abuse or conspiracy existed. This Court should make clear for the guidance of all of the Courts of Appeals that their jurisdiction under 28 U. S. C. 1292(a) (1) does not include the reversal of findings of fact and conclusions of law relevant to a plaintiff's right to recover on the merits of the action.

Similarly, for the reasons given above, the action of the Court of Appeals which denies the District Courts the right, as expressed in *Marconi, supra,* to reopen or reconsider the case at any time before final judgment, should be reversed.

III

This Court should grant this writ in order to dispose of the question raised by the Court of Appeals in holding

---

[9]A review of the decisions shows that a litigant on appeal is faced with a guessing game as to just what parts of the case the appellate court will choose to review. Just to cite a few examples, the decision below should be contrasted with the cases of *Kontes Glass Co.* v. *Lab Glass, Inc.,* 373 F. 2d 319 (3d Cir. 1967) (an opinion by Judge Freedman decided on February 23, 1967, less than two weeks before the opinion in this case. There the Court of Appeals stated what petitioner submits is the correct scope of review i.e., that ". . . our inquiry on review is limited to the narrow question whether the court below abused its discretion." (373 F. 2d 319, 320)), *Shearman* v. *Missouri Pacific Railroad Co.,* 250 F. 2d 191 (8th Cir. 1957), *Reeve Music Co.* v. *Crest Records, Inc.,* 285 F. 2d 546 (2d Cir. 1957), *H. M. Kolbe Co.* v. *Armgus Textile Co.,* 315 F. 2d 70 (2d Cir. 1963), and *Drop Dead Co.* v. *S. C. Johnson & Son Inc.,* 326 F. 2d 87 (9th Cir. 1963). These cases reveal no single unifying principle or concept concerning the proper scope of judicial review. Some of them delve quite deeply into the merits of the case in deciding the appeal, and others espouse a doctrine of judicial restraint in reviewing no more than is necessary to resolve the propriety of the injunction.

that, in dissolving the injunction, it was following the policy of 28 U. S. C. 2283 (Appendix B, p. 18a-19a). In extending that policy so far, the Court of Appeals has precluded the District Court from preventing relitigation of relevant issues of fact and law already litigated and decided in this case against respondent and realleged in the respondent's conspiracy and abuse of process actions. This holding is in conflict with the decisions of the Second Circuit Court of Appeals in *Sperry Rand Corp.* v. *Rothlein*, 288 F. 2d 245 (2d Cir. 1961) (which was considered to be correct by the First Circuit Court of Appeals in *Commerce Oil Refining Corp.* v. *Miner*, 303 F. 2d 125, 128 (1st Cir. 1962)) and *Helene Curtis Industries, Inc.* v. *Sales Affiliates, Inc.*, 247 F. 2d 940 (2d Cir. 1957).[10]

The *Sperry Rand* case, *supra*, holds that in an action pending before it the District Court is not prohibited by 28 U. S. C. 2283 from enjoining a party from proceeding in a state court action in order to prevent unnecessary or vexatious litigation.

The Third Circuit's statement of "policy" in this regard appears to be an attempt to reinstate the law set forth in *Toucey* v. *New York Life Insurance Co.*, 314 U. S. 118 (1941) which prohibited federal courts from granting injunctions against proceedings in state courts in relitigation cases. As the Revisers pointed out, the only substantial

---

[10]The Second Circuit also ruled in *Helene Curtis* at 945, that:

> "Outside the patent field it is clear that" a federal court of equity has jurisdiction of a bill ancillary to an original case or proceedings in the same court . . . to secure or preserve the fruits and advantages of a judgment or decree rendered therein . . ." *Local Loan Co.* v. *Hunt* 1934, 292 U. S. 234, 239, 54 S. Ct. 695, 697, 78 L. Ed. 1230. See also *Dietzsch* v. *Huidekoper*, 1880, 103 U. S. 494, 26 L. Ed. 497. The mere separateness of the cause of action has not been considered an absolute bar to the granting of supplemental relief [citing *Dugas* v. *America Surety Co.*, 300 U. S. 414 (1937) and *Gunter* v. *Atlantic Coast Line*, 200 U. S. 273, 291 (1906)]."

change intended by the amendment which was enacted as § 2283 was to overrule this Court's decision in *Toucey, supra* (H. R. Rep. No. 308, 80th Cong., 1st Sess., A181-182 (1947)).[11] This legislative history was recognized in the dissenting opinion of Mr. Chief Justice Warren, with whom Mr. Justice Black and Mr. Justice Douglas concurred in *Amalgamated Clothing Workers* v. *Richmond Bros. Co.*, 348 U. S. 511, 523 (1955).

The "policy" referred to by the Court of Appeals below *is not even reached with respect to the abuse of process action since that action has been removed and is presently pending before that same District Court.* Accordingly, the propriety of the injunctive order with respect to the abuse of process action cannot be construed as raising the "policy" question involved in § 2283. What is involved is the inherent power of a District Court to control the cases on its docket. See *Kessler* v. *Eldred*, 206 U. S. 285 (1907).

---

[11] As shown by several commentators, the bar is uncertain as to the applicability of § 2283 to protect or effectuate interlocutory judgments. As stated in *Developments in the Law—Injunctions*, 78 Harv. L. Rev. 994, 1051 (1965):

> "'*To Protect or Effectuate Its Judgments.*'—The legislative history of § 2283 reveals that this phrase was inserted to enable federal courts to enjoin relitigation in state courts, and thus reestablish the pre-*Toucey* law. The courts of appeals have therefore affirmed such injunctions. It is not yet clear whether § 2283 also authorizes an injunction calculated to protect a district court's interlocutory order [citing *Sperry Rand, supra*]."

In the civil rights field, the University of Pennsylvania Law Review in *Power to Enjoin State Prosecutions Violative of Federally Protected Rights*, 114 U of Pa. L. Rev. 561, 568 (1966) observed, in discussing § 2283, that the policies expressed in the Civil Rights Act of 1964 are in conflict with the traditional policy of federal noninterference with state court proceedings. In its conclusion the editors state that:

> "All these observations evince a pressing need for resolution by the Supreme Court. . . . But whatever the resolution of the problem, the political and social implications of this issue make it imperative that either the federal injunctive power be enunciated or that its absence be made very clear." (p. 569)

It is fundamental that a District Court has the inherent power to control cases on its docket. That power has never been questioned before and has been expressly affirmed by this Court in *Enelow* v. *New York Life Insurance Co.*, 293 U. S. 379 (1935). However, the Third Circuit's opinion in this case would indicate that once the charge of abuse is made the subject of a separate suit, whether removed to the District Court or not, the District Court does not have the power to control its docket and to prevent concurrent litigation involving the same facts and the same issues which are presently before it.

The conspiracy action against petitioner and individual defendants[12] *is pending in the state court.* The injunctive order against respondent proceeding in that case does raise the "policy" question. It is that aspect of the Court of Appeals' decision that is in conflict with the "policy" statement by the Second Circuit in the *Sperry Rand* case, *supra.* It is petitioner's position that the policy expressed by § 2283 was not violated by the District Court since its order enjoined respondent from further prosecuting its State court action pending a final judgment in this action and in so doing acted in "aid of its jurisdiction" and to "protect" and "effectuate" its interlocutory judgment.

This Court should grant this writ in order that the applicability of § 2283 to a case which has been decided but which has not yet reached final judgment be clearly defined. If the exception to the general prohibition does not apply to this case, it is difficult to conceive of any case in which a federal court may enjoin a party from relitigating facts in a state court action already determined by that federal court.

---

[12]Those named are petitioner's licensee company Roselon Yarns, Inc. and its president Gordon Adams as well as officers or employees of petitioner. All of the individuals were witnesses at the trial of this action and were cross-examined at great length about the matters which are alleged in respondent's complaints.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

THOMAS M. MARSHALL
THOMAS N. O'NEILL, JR.
Counsel for Petitioner

Of Counsel:

JAMES H. CALLAHAN
KENYON & KENYON

C. BREWSTER RHOADS
MONTGOMERY, MCCRACKEN, WALKER & RHOADS

SUPREME COURT U. S.

JUL 17 1967

JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 391

JOSEPH BANCROFT & SONS CO.,
Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,
Respondent.

APPENDICES A AND B

THOMAS M. MARSHALL
59 Maiden Lane
New York, N. Y.

THOMAS N. O'NEILL, JR.
1421 Chestnut Street
Philadelphia, Pennsylvania
Counsel for Petitioner

Of Counsel:

JAMES H. CALLAHAN
KENYON & KENYON
New York, New York

C. BREWSTER RHOADS
MONTGOMERY, MCCRACKEN, WALKER & RHOADS
Philadelphia, Pennsylvania

TABLE OF CONTENTS

PAGE

APPENDIX A

1) Amendment VII to the United States Constitution 1a

2) Judiciary and Judicial Procedures Act of June 25, 1948, Title 28 United States Code

Sec. 1292(a)(1) 28 U. S. C. 1292 (a)(1)).. 1a

Sec. 2283 (28 U. S. C. 2283) 1a

APPENDIX B

1) Memorandum Opinion and Order, December 26, 1964 (R. 333a) 2a

2) Opinion and Order, September 2, 1965 (R. 352a-361a) 245 F. Supp. 523 (E. D. Pa. 1965) 4a

3) Opinion of the Court, March 8, 1967 374 F. 2d 281 (3d Cir. 1967) 11a

4) Judgment, March 8, 1967 ..... 20a

5) Petition for Rehearing, April 6, 1967 ..... 22a

6) Denial of Petition for Rehearing, April 20, 1967 ..... 34a

APPENDIX A

AMENDMENT VII TO THE UNITED STATES CONSTITUTION

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of common law.

28 U. S. C. 1292

Interlocutory decisions

(a) The courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court;

28 U. S. C. 2283

Stay of State court proceedings

A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments.

APPENDIX B

Memorandum Opinion and Order, December 26, 1964

UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 25,092

JOSEPH BANCROFT & SONS COMPANY

v.

SHELLEY KNITTING MILLS, INC.

In light of the allegations of the plaintiff (defendant herein) in Civil Action No. 34244, in this Court, and in No. 5522, June Term, 1963, in the Court of Common Pleas No. 1 of Philadelphia County, which are before this Court on the motion of the plaintiff herein to enjoin the prosecution of said suits, it appears that bad faith, malicious abuse of process and conspiracy on the part of the plaintiff herein, inter alia, in the institution and prosecution of the instant action are asserted in those actions.

Since the present suit is still within our jurisdiction, we deem it legally incumbent upon this Court to make a full inquiry into the motivation and purpose in the institution of this suit. It is a postulate of the legal order, reiterated by the Supreme Court as recently as in *United States* vs. *Powell*, No. 54—October Term, 1964 (November 23, 1964), that "a court may not permit its process to be abused."

Memorandum Opinion and Order, December 26, 1964

Accordingly, we direct that further hearing be had in this action at which the parties may submit such additional evidence as may be relevant and appropriate in the circumstances.

ORDER

Now, December 26th, 1964, it is ordered that further hearing, for the purposes hereinbefore indicated, be had before me on February 2, 1965, at 10:00 A.M.

/s/ C. WILLIAM KRAFT, JR.
Judge

Opinion and Order, September 2, 1968

UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Civil Action No. 25,092

JOSEPH BANCROFT & SONS COMPANY

v.

SHELLEY KNITTING MILLS, INC.

KRAFT. *J.* September 2, 1965

The history and subject-matter of this action appear in detail in 268 F. 2d 569, and in our adjudication, 212 F. Supp. 715. It is sufficient for present purposes to state that Bancroft sought injunctive and other relief herein, based on allegations of trademark infringement, unfair competition and breach of contract.

Some months after the filing of our adjudication of December 26, 1962, and while the case was before a Master appointed pursuant to Rule 53 of the Federal Rules of Civil Procedure, Shelley filed suit against Bancroft in the Court of Common Pleas No. 7, Philadelphia County, at No. 5521, June Term, 1963, charging Bancroft with malicious abuse of process in the institution of the instant case. That suit by Shelley is now pending before this Court as Civil Action 34244, by reason of removal.

About the same time, Shelley also filed another suit against Bancroft and others in the Court of Common Pleas

No. 1, Philadelphia County, at No. 5522, June Term, 1963, in which it alleged that the instant case was part of an unlawful conspiracy among the defendants to "ruin Shelley and drive it out of business."

Bancroft, thereupon, filed a motion in the instant case to enjoin Shelley from prosecution of its two pending suits.

In the course of the lengthy proceedings in the present case, Shelley's counsel, in the presence and hearing of the trial judge, repeatedly charged Bancroft with bad faith in the institution of the action and declared Shelley's intention to sue Bancroft for misuse of the Court's process. Shelley did not, however, formally tender these issues in its pleadings, its pre-trial memoranda or at pre-trial conference and its failure so to do led the trial judge to conclude, apparently mistakenly, that Shelley's counsel, for tactical and sundry other reasons, made these statements to Bancroft's counsel with tongue in cheek. However, mindful of our inherent power and duty to prevent abuse of the Court's process, 21 C. J. S., Courts, Sec. 88, p. 138, we gave serious and deliberate consideration to the question of Bancroft's motivaton in bringing suit, because of our awareness of the statements of Shelley's counsel. Atlhough we made no specific findings on these issues which were not among those framed at final pre-trial conference, our adjudication in Bancroft's favor necessarily reflected our conclusion that Bancroft brought the action in good faith and with no ulterior motive.

Consideration of Bancroft's present motion to enjoin Shelley's suits persuaded us that we should now make specific findings on the issues posed, and that, in the circumstances, it would be only fair to afford the parties opportunity to offer further evidence on these issues, if they so desired. Ac-

cordingly, without deciding Bancroft's motion, we filed a memorandum and order in which we stated that, since the instant suit was still within our jurisdiction, we deemed it incumbent upon us to make full inquiry into the motivation and purpose of Bancroft in the institution of its suit, and fixed a time for further hearing.

Presently before us is Shelley's motion to vacate that order.

Shelley contends that the Court lacks jurisdiction to conduct the proposed inquiry and to make the proposed findings of fact.

We think our jurisdiction is clear. It is fundamental that "a court may not permit its process to be abused." *United States* v. *Powell*, 379 U. S. 48, 58 (1964). If a court finds that its process has been abused, it should dismiss the cause. As stated in *Pueblo De Taos* v. *Archuleta*, 64 F. 2d 807 (10th Cir. 1933), at p. 812:

> "But all such objections may be brushed aside with the statement that the court is the protector of the purity of its own process, and may take such steps as are necessary to protect against its abuse, on its own motion, or upon the suggestion of a stranger; and neither state statutes nor ordinary procedural rules can thwart a prompt and efficacious discharge of that paramount obligation. Gumbel v. Pitkin, 124 U. S. 131, 8 S. Ct. 379, 31 L. Ed. 374; Lord v. Veazie, 8 How. 251, 12 L. Ed. 1067; Cleveland v. Chamberlain, 1 Black, 419, 17 L. Ed. 93; Harley v. Eureka County Bank, 21 Nev. 127, 26 P. 64, 12 L.R.A. 815; In re Burdick, 162 Ill. 48, 44 N.E. 413; Consolidated Liquor Co. v. Scotello & Nizzi, 21 N.M. 485, 155 P. 1089."

In *Pueblo,* the Court sustained the dismissal of an action on the ground that it had been brought for an ulterior purpose, and stated at p. 813:

> "A court has inherent power to determine whether its process is used for the purpose of vexation or fraud, instead of the single purpose for which it is intended-the adjudication of bona fide controversies. It is the duty of the court to prevent such abuse, and a dismissal of the cause is an appropriate way to discharge that duty: Pueblo of Santa Rosa v. Fall, 273 U. S. 315,319, 47 S.Ct. 361, 71 L. Ed. 658; Houston v. City and County of San Francisco (C.C.) 47 F.337. In Gumbel v. Pitkin, 124 U.S. 131,145, 8 S.Ct. 379,384, 31 L. Ed. 374, the Supreme Court said: 'As we have already seen, and as has been many times declared by this court, the equitable powers of the courts of the United States, sitting as courts of law, over their own process, to prevent abuse, oppression, and injustice, are inherent, and as extensive and effieient as may be required by the necessity for their exercise, and may be invoked by strangers to the litigation as incident to the jurisdiction already vested, without regard to the citizenship of the complaining and intervening party.' "

To the same effect, see *Reid* v. *Prentice-Hall, Inc.,* 261 F. 2d 700 (6th Cir. 1958), at p. 701:

> "The court has inherent power, so long as it retains control of the subject matter and of the parties, to correct that which has been wrongly done by virtue of its process. Gumbel v. Pitkin, 124 U.S. 131, 144,

> 8 S.Ct. 379, 31 L. Ed 374; 14 Am. Jur., Courts, Section 171; Arkadelphia Milling Co. v. St. Louis Southwestern Railway Company, 249 U.S. 134, 39 S.Ct. 237, 63 L. Ed. 517. The court has inherent power to punish abuse of its process by dismissal of an action in the interest of orderly administration of justice."

We conclude that not only do we have jurisdiction, but that it is our judicial duty, in an action pending before us, to investigate charges of conspiracy and malicious abuse of process in its institution and prosecution.

Shelley also asserts that it has demanded trial by jury in its two suits, and that the proposed investigation would deny Shelley its constitutional right to trial by jury. It contends that our determination on the issues now presented "might well be deemed to constitute res judicata or collateral estoppel, preventing Shelley from obtaining a trial by jury." We think this contention is without merit.

As already stated, implicit in our adjudication in Bancroft's favor was a finding of Bancroft's good faith. We had and have the power, in our view, to make specific findings on the issue without further evidence. The prime purpose of our order was to afford the parties ample opportunity to submit additional evidence, if they so desired. If our specific findings should embarrass Shelley in the trial of its two suits, it is because Shelley itself repeatedly challenged Bancroft's good faith in the instant suits by statements and threats of suit made in the presence and hearing of the trial judge. Once it became evident that Shelley's challenges and threats were serious, the issues were in this case and it was our obligation to decide them even though Shelley may have

deliberately refrained from tendering these issues at pre-trial conference in the hope that, if Bancroft prevailed, Shelley would have preserved these issues for another trial and, possibly, another forum. In light of the necessity to protect the integrity of the Court's own process we were not free to ignore Shelley's charges of bad faith, conspiracy and malicious abuse of process in the very institution and prosecution of Bancroft's suit.

We think Shelley's reliance on *Beacon Theatres* v. *Westover,* 359 U. S. 500 (1959), is misplaced. That case holds, in essence, that where both legal and equitable issues are presented *in a single case,* any legal issues for which a trial by jury is timely and properly demanded must be submitted to a jury. Shelley made no demand for a jury trial of any legal issues presented in the case at bar.

Hence, though we believe Shelley's remaining contention that our proposed findings are untimely has been sufficiently answered in our discussion of its preceding contentions, it is also important to note that no final judgment has been entered and jurisdiction has been retained.

We shall, therefore, enter an order denying Shelley's motion to vacate our earlier order.

Both parties have expressly disclaimed any desire or intention to submit further evidence. Accordingly, we shall make appropriate findings of fact and conclusions of law.

ORDER

Now, September 2, 1965, after present review of the trial record and due consideration, it is ordered that:

1. Defendant's motion to vacate our order of December 26, 1964 be, and it is, denied.

2. The adjudication be, and it is, supplemented by the addition of the following findings of fact:

175. Bancroft instituted and prosecuted this action in good faith and for its ostensible purpose.

176. Bancroft, in the institution and prosecution of this action had no intent to vex, harass, or oppress Shelley, and had no intent to ruin or to drive Shelley out of business.

177. Bancroft, its officers, employees, agents and attorneys did not conspire among themselves or with others to ruin Shelley or to drive Shelley out of business.

3. The adjudication be, and it is, further supplemented by the addition of the following conclusions of law:

19. Bancroft instituted and prosecuted this action solely for the purpose of obtaining an adjudication of its bona fide controversy with Shelley.

20. Bancroft's institution and prosecution of this action was not a malicious abuse of process.

21. Bancroft's institution and prosecution of this action was not part of nor the result of any conspiracy among Bancroft, its officers, employees, agents or attorneys or among any of them, with or without others, to ruin Shelley or drive it out of business.

4. Pending final judgment in this action, Shelley Knitting Mills, Inc., its assignees or successors, are enjoined and restrained from further prosecution of or proceeding in Civil Action 34244 in this Court and in No. 5522 June Term 1963 in the Court of Common Pleas of Philadelphia County, unless this Court shall sooner otherwise order.

C. WILLIAM KRAFT, JR.
Judge

Opinion of The Court, March 8, 1967

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

No. 15664

JOSEPH BANCROFT & SONS CO.

v.

SHELLEY KNITTING MILLS, INC.
Appellant

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Argued November 29, 1966

Before SMITH, FREEDMAN and SEITZ, *Circuit Judges.*

FREEDMAN, *Circuit Judge.*

Shelley Knitting Mills, Inc. appeals from a preliminary injunction restraining it from prosecuting two civil actions which it brought in the state courts of Pennsylvania against Joseph Bancroft & Sons Co.

The litigation between the parties originated in 1958 in a suit by Bancroft against Shelley for trademark infringement, unfair competition and breach of contract.

After a lengthy trial in 1962[1] the district judge filed an adjudication on December 26, 1962 containing 174 findings of fact and 18 conclusions of law in which he found that Shelley had infringed Bancroft's trademark and had been guilty of unfair competition and that Bancroft was entitled to an accounting for profits by Shelley, which in the meanwhile had gone into bankruptcy. A permanent injunction was refused because of the absence of irreparable damage and because Shelley had discontinued business, but the district court retained jurisdiction pending final determination of Bancroft's damage claim.

On September 11, 1963, while the accounting was still pending before a special master appointed by the court, Shelley instituted the two civil actions which give rise to the present controversy, in the Courts of Common Pleas of Philadelphia County, Pennsylvania. One was against Bancroft alone, and the other was against Bancroft, a licensee of Brancroft and four individual officers or employees of Bancroft and of the licensee. The action against Bancroft alone was removed to the district court. In each suit Shelley alleged that Bancroft's action against it in the district court was brought for the purpose of driving it out of business and not for its ostensible purpose of proving trademark infringement and unfair competition. In the action against Bancroft and the four individual defendants, Shelley alleged additionally that the defendants had conspired to drive it out of business and that the original suit was an overt act in furtherance of the conspiracy.

Thereupon on November 1, 1963 Bancroft filed in its original action in the district court a motion "in aid of

---

[1]We had earlier reversed the award of a preliminary injunction because there was no showing of irreparable injury. Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc., 268 F. 2d 569 (3 Cir. 1959).

and for the protection and effectuation of [the] . . . court's jurisdiction over the parties and the subject matter of this action and its Adjudication and judgment in this action entered December 26, 1962," to enjoin Shelley from prosecuting its two actions. On December 28, 1964 the court filed a memorandum opinion in which it stated: "Since the present suit is still within our jurisdiction, we deem it legally incumbent upon this Court to make a full inquiry into the motivation and purpose in the institution of this suit. It is a postulate of the legal order . . . that 'a court may not permit its process to be abused,'" citing *United States v. Powell,* 379 U. S. 48 (1964). The court accordingly set a further hearing for the submission of such additional evidence "as may be relevant and appropriate."

At the time fixed for the hearing neither of the parties presented any additional evidence, although the district judge gave them a full opportunity to do so. Shelley, however, later presented a petition requesting that the court withdraw its decisions to investigate and make additional findings, on the ground that Shelley had made known to the court and to Bancroft and its counsel as early as December 1959 its intention to sue Bancroft for malicious abuse of process. Bancroft answered the petition, denying that Shelley had made any such claim and alleging on the contrary that Shelley had only made known an intention to sue Bancroft for malicious use of process or wrongful initiation of civil proceedings in the event that Bancroft's action proved unsuccessful. In support of this Bancroft also alleged that Shelley had obtained the permission of the Bankruptcy Court in January 1960 to employ counsel to sue Bancroft if its action ultimately should be decided in favor of Shelley.

. . On September 2, 1965 the district judge filed an opinion and entered an order in which, after reciting that he had reviewed the trial record, he denied Shelley's petition to vacate the order of December 28, 1964 and supplemented his adjudication of December 26, 1962 by adding findings of fact nos. 175 to 177, inclusive and conclusions of law nos. 19 to 21 inclusive. In these supplemental findings and conclusions the district judge stated that Bancroft had instituted and prosecuted its action in good faith and for its ostensible purpose, with no intention to vex, harass or oppress Shelley or to ruin or to drive it out of business and that Bancroft and its officers, employees, agents and attorneys had not conspired among themselves or with others to do so. In the supplemental conclusions of law he stated that Bancroft brought its action solely for the purpose of obtaining an adjudication of its bona fide controversy with Shelley, that there was no malicious abuse of process, and that Bancroft's action was not part or the result of any conspiracy to ruin Shelley or drive it out of business. The order accordingly declared: "Pending final judgment in this action, Shelley Knitting Mills, Inc., its assignees or successors, are enjoined and restrained from further prosecution of or proceeding in " the two civil actions brought by Shelley, "unless this Court shall sooner otherwise order." It is from this injunction that Shelley has appealed.

In the course of his opinion, the district judge recorded that he had been led to conclude, "apparently mistakenly," that the remarks which Shelley's counsel had repeatedly made in his presence during the trial, which charged Bancroft with bad faith in instituting the action and his statements that Shelley intended to sue Bancroft for abuse of process had been made "for tactical and sundry other

reasons . . . with tongue in cheek." The court then went on to say that "although we made no specific findings on these issues which were not among those framed at final pre-trial conference, our adjudication in Bancroft's favor necessarily reflected our conclusion that Bancroft brought the action in good faith and with no ulterior motive.

* * *

"As already stated, implicit in our adjudication in Bancroft's favor was a finding of Bancroft's good faith. . . . If our specific findings should embarrass Shelley in the trial of its two suits, it is because Shelley itself repeatedly challenged Bancroft's good faith in the instant suit by statements and threats of suit made in the presence and hearing of the trial judge. Once it became evident that Shelley's challenges and threats were serious, the issues were in this case and it was our obligation to decide them even though Shelley may have deliberately refrained from tendering these issues at pre-trial conference in the hope that, if Bancroft prevailed, Shelley would have preserved these issues for another trial and, possibly, another forum. In light of the necessity to protect the integrity of the Court's own process we were not free to ignore Shelley's charges of bad faith, conspiracy and malicious abuse of process in the very institution and prosecution of Bancroft's suit."

The argument before us attacks the district court's power to make the findings of fact and conclusions of law which underlie the injunction. Shelley contends that these findings are irrelevant to Bancroft's suit against it, which is all that was before the court. Bancroft urges, on the other hand, that courts of justice have inherent power to protect the purity of their own process and on their own

motion or even on the suggestion of a stranger may undertake to determine whether their process has been abused, especially where the case is still pending and no final judgment has been entered. Shelley replies that this rule has no application where the suit is for malicious *abuse* of process rather than malicious *use* of process, because it is extraneous to the merits of the controversy in the first proceeding.[2] It points out that the extensive findings of fact and conclusions of law in the adjudication of December 26, 1962 contain no mention of Brancroft's intention or motive in instituting its suit against Shelley. Shelley also argues that in any event the court's action invades its constitutional right to trial by jury on its claims of malicious abuse of process. To this Bancroft answers that Shelley waived any right it may have had to trial by jury because it did not demand a jury trial during the proceedings before the district judge, either in its response to Bancroft's

---

[2]In the leading case of Mayer v. Walter, 64 Pa. 283, 285-86 (1870), Sharswood, J., said: "There is a distinction between a malicious use and a malicious abuse of legal process. An abuse is where the party employs it for some unlawful object, not the purpose which it is intended by the law to effect; in other words, a perversion of it. Thus, if a man is arrested, or his goods seized in order to extort money from him, even though it be to pay a just claim other than that in suit, or to compel him to give up possession of a deed or other thing of value, not the legal object of the process, it is settled that in an action for such malicious abuse it is not necessary to prove that the action in which the process issued has been determined, or to aver that it was sued out without reasonable or probable cause: Grainer v. Hill, 4 Bing. N.C. 212. It is evident that when such a wrong has been perpetrated, it is entirely immaterial whether the proceeding itself was baseless or otherwise. We know that the law is good, but only if a man use it lawfully." See also Johnson v. Land Title Bank & Trust Co., 329 Pa. 241, 198 A. 23 (1938); Publix Drug Co. v. Breyer Ice Cream Co., 347 Pa. 346, 32 A.2d 413 (1943); Dumont Television & Radio Corp. v. Franklin Electric Co. of Philadelphia, 397 Pa. 274, 154 A.2d 585 (1959); Wheeldin v. Wheeler, 373 U. S. 647, 655-56 (1963), Brennan J., dissenting.

motion to enjoin the prosecution of Shelley's two actions, or in its petition for the withdrawal of the court's order of December 28, 1964.

In our view it is unnecessary to determine whether the court below had power to enjoin Shelley from prosecuting its actions for malicious abuse of process. For even if the power exists, we believe that it should not have been exercised in the existing circumstances. The adjudication of the merits of an action before the court ordinarily is the limit of its duty. There may, of course, exist circumstances so unusual in their nature that a court should determine the intention with which the litigation is brought in order to avoid hearing a collusive action or one which does not represent a justiciable controversy.[3] This, however, is not such a case. The court had already adjudicated the merits of the controversy dealing with trademark infringement and unfair competition and it was only after a long lapse of time and because Shelley had instituted its state court actions for malicious abuse of process that the present effort was made to determine on the merits in the present action, which was simply awaiting the assessment of damages, whether there was merit in what Shelley had now claimed in its two state court actions.

It is undesirable for a federal judge to look over his shoulder long after he has decided a case on the merits and then undertake to determine whether the successful party had brought the action for an improper purpose, and this is especially so where this purpose has already been made the subject matter of separate litigation. What was done in this civil action is not much different in principle

---

[3] See generally Hart & Wechsler, The Federal Courts & the Federal System (1953), pp. 114-119, 126-30; Wright, Federal Courts (1963), § 12.

than it would be for a judge in a criminal proceeding at the private prosecutor's request to determine from the evidence before him whether the proceeding was initiated on probable cause and to prohibit by injunction or forestall by collateral estoppel a later action by the successful defendant against the private prosecutor for malicious prosecution, although, of course, in a criminal case there are also other limitations.

Although the action of the court below was expressed in the form of a vindication of the purity of its processes, what is realistically involved constitutes no affront to the dignity or authority of the court, but involves simply a claim that a right to damages exists against one who improperly employed the right subsisting in a valid cause of action to the damage and injury of his adversary. Such a claim is entitled to the independent determination which Shelley has invoked, and not to an adjudication subordinated to the merits of the cause of action which Shelley claims is not determinative, even if it is valid, of the suit for malicious abuse of process. In the present unusual circumstances, Shelley is entitled to maintain its separate actions in which it demanded trial by jury. Its preference to stay outside the jurisdiction of the chancellor who decided the original case against it and to submit to a state court jury its claim that the action which it had lost in the federal court constituted a malicious abuse of process, should be preserved. The fundamental separateness of the actions for abuse of process from the action for trademark infringement and unfair competition is not altered because one of the actions was removed to the federal court.

In holding that the court below should have declined to interfere with the separate actions which Shelley originally brought in the state courts, one of which is still

pending there against Bancroft and the individual defendants, we also effectuate the policy which prohibits the federal courts from lightly granting injunctions against proceedings in state courts. This policy is now expressed in 28 U. S. C. § 2283: "A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgments."[4]

Whatever "inherent" effect the extensive findings of fact and conculsions of law which the court below made in its original adjudication may have as collateral estoppel against Shelley in its independent actions will be a matter for determination there. Shelley is entitled to have this decided independently and not as an interstitial addition made long after the decision on the merits in Bancroft's action against it.

The judgment of the court below enjoining and restraining Shelley from further prosecuting its Civil Action No. 34,244 against Bancroft and its action against Bancroft and others in the Court of Common Pleas No. 1 at Philadelphia County at June Term, 1963, No. 5522, and the supplemental adjudication on which it was based will be vacated with direction to dismiss without prejudice Bancroft's motion to enjoin Shelley from prosecuting its two pending suits.

---

[4]See generally Developments in the Law—Injunctions, 78 Harv. L. Rev. 994, 1045-53 (1965); Note, 74 Harv. L. Rev. 726 (1961); Comment, 114 U. Pa. L. Rev. 561 (1966).

Judgment, March 8, 1967

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT

No. 15,664

JOSEPH BANCROFT & SONS, CO.

vs.

SHELLEY KNITTING MILLS, INC.,
Appellant

(D. C. Civil Action No. 25092)

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

Present:

SMITH, FREEDMAN and SEITZ, *Circuit Judges.*

JUDGMENT

This cause came on to be heard on the record from the United States District Court for the Eastern District of Pennsylvania and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court, filed September 2, 1965, which enjoined and restrained Shelley from further prosecution of its Civil Action No. 34244 against Bancroft and its action against Bancroft and others in the Court of Common Pleas No. 1 at Philadelphia County at June Term, 1963, No. 5522, and the supplemental adjudication on which it was based be and

hereby is vacated, with costs, and the cause is remanded with direction to dismiss without prejudice Bancroft's motion to enjoin Shelley from prosecuting its two pending suits.

ATTEST:

THOMAS F. QUINN
Clerk

March 8, 1967

Petition for Rehearing, April 6, 1967

IN THE

UNITED STATES COURT OF APPEALS

FOR THE THIRD CIRCUIT.

No. 15664.

JOSEPH BANCROFT & SONS CO.,

v.

SHELLEY KNITTING MILLS, INC.,

Appellant.

APPEAL FROM ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF PENNSYLVANIA GRANTING AN INJUNCTION PENDING FINAL JUDGMENT.

PETITION OF JOSEPH BANCROFT & SONS CO. FOR REHEARING.

Of Counsel:

JAMES H. CALLAHAN,
KENYON & KENYON,
C. BREWSTER RHOADS,
MONTGOMERY, MCCRACKEN,
WALKER & RHOADS.

THOMAS M. MARSHALL,
165 Broadway,
New York, N. Y.,

THOMAS N. O'NEILL, JR.,
1421 Chestnut Street,
Philadelphia, Pennsylvania,
Attorneys for Petitioner-Appellee.

TABLE OF CONTENTS OF PETITION FOR REHEARING.

	Page
I. The Findings and Conclusions of the District Court Were Relevant to Plaintiff's Fundamental Right to Maintain This Action and Secure Judgment Herein as Well as to Issuance of the Injunction	2[26a]
II. This Court Exceeded Its Jurisdiction Under Section 1292(a)(1) of the Judicial Code in Vacating the Findings of Fact Nos. 175-177 of the District Court and the Conclusions of Law Based Thereon	6[30a]
Conclusion	7[32a]
Certificate of Counsel	8[33a]

TABLE OF CASES CITED.

	Page
American Ins. Co. v. Lucas, 38 F. Supp. 896 (W. D. Mo. 1940), appeal dismissed, 314 U. S. 575 (1941), aff'd sub nom. American Ins. Co. v. Scheufler, 129 F. 2d 143 (8th Cir. 1942), cert. denied, 317 U. S. 687 (1942)	3[27a]
Chaleloid Chemical Co. v. H. B. Chalmers Co., 243 Fed. 606 (2d Cir. 1917)	6[31a]
Drop Dead Co. v. S. C. Johnson & Son, Inc., 326 F. 2d 87 (9th Cir. 1963)	6[31a]
Gaudosi v. Mellon, 269 F. 2d 873 (3d Cir.), cert. denied, 361 U. S. 902 (1959)	3[27a]
Gumbel v. Pitkin, 124 U. S. 131 (1888)	3[27a]
Hall v. Wright, 240 F. 2d 787 (9th Cir. 1957)	3[27a]
Hazel Atlas Glass Co. v. Hartford-Empire Co., 322 U. S. 238 (1944), rehearing denied, 322 U. S. 238 (1944)	3[27a]
H. M. Kolbe Co. v. Armgus Textile Co., 315 F. 2d 70 (2d Cir. 1963)	6[31a]
Lederer v. Garage Equip. Mfg. Co., 235 Fed. 527 (7th Cir. 1916)	6[31a]
Marconi Wireless Co. v. United States, 320 U. S. 1 (1943)	5[29a]
Pueblo DeTaos v. Archuleta, 64 F. 2d 807 (10th Cir. 1933)	3[27a]
Reeve Music Co. v. Crest Records, Inc., 285 F. 2d 546 (1st Cir. 1957)	6[30a]
Reid v. Prentice-Hall, Inc., 261 F. 2d 700 (6th Cir. 1958)	3[27a]
Sheldon v. Moredall Realty Corp., 95 F. 2d 48 (2d Cir. 1938)	6[31a]
United States v. Powell, 379 U. S. 48 (1964)	3[27a]
Zwack v. Kraus Bros. Co., 237 F. 2d 255 (2d Cir. 1956)	6[31a]

STATUTE AND RULES CITED.

	Page
Federal Rules of Civil Procedure:	
Rule 52(a)	1[26a], 7[31a]
Rule 52(b)	5[30a]
Judicial Code, § 1292(a)(1), 28 U. S. C. § 1292(a)(1)	1[25a], 6[30a], 7[32a]

PETITION FOR REHEARING.

Joseph Bancroft & Sons Co., plaintiff-appellee, petitions this Court pursuant to Rule 33 for a rehearing insofar as its Opinion filed March 8, 1967 vacated the findings of fact and conclusions of law contained in the supplemental adjudication of the District Court filed September 2, 1965.

Petitioner respectfully submits that, in vacating said findings and conclusions, this Court exceeded the scope of its jurisdiction under § 1292(a) (1) of the Judical Code because it vacated findings which are relevant to the fundamental question of plaintiff's right to recover in this action. The Court appears to have assumed erroneously that the findings were relevant only to the injunction restraining defendant from prosecuting its new actions, the propriety of which was the sole issue on this interlocutory appeal.

In vacating these supplemental findings and conclusions of the District Court, this Court has

(a) decided a portion of the case on the merits before final judgment;

(b) deprived the District Court of its power to amend, modify or supplement its decision at any time before final judgment;

(c) prevented the District Court from exercising its power to protect its own process from abuse by deciding whether to dismiss an action allegedly brought for an improper motive;

(d) deprived petitioner of its right to a full adjudication of the issues which were tried in this action and thus of whatever benefit such an adjudication properly may confer upon petitioner in the actions brought against it by defendant; and

(e) summarily set aside findings of fact made by the District Court without reference to the standards of Rule 52(a) of the Federal Rules of Civil Procedure.

The decision of this Court to vacate the supplemental adjudication was not necessary to the decision to vacate the grant of the temporary injunction. It has produced consequences more serious and far-reaching than required by the determination of the single issue properly before this Court. It involves questions which have not been briefed or argued previously on this appeal. Petitioner therefore respectfully requests this Court to grant a rehearing and to reinstate the supplemental findings and conclusions.

Petitioner believes that the District Court did not abuse its discretion in granting the injunction appealed from and respectfully submits that this Court erred in vacating the injunction. Petitioner nevertheless acknowledges that it was within this Court's power to vacate this injunction and, accordingly, does not seek rehearing of that question.

I. The Findings and Conclusions of the District Court Were Relevant to Plaintiff's Fundamental Right to Maintain This Action and Secure Judgment Herein as Well as to Issuance of the Injunction.

This Court, by vacating both the supplemental adjudication and the order enjoining defendant from prosecuting its new actions, appears to have misconceived the function of the additional findings of fact and conclusions of law entered by the District Court. Petitioner respectfully submits that their function was twofold: First, to overrule expressly the defenses based upon plaintiff's alleged bad

faith in instituting this action, which were repeatedly raised by defendant during and after trial of this case; and, second, to provide support for the issuance of the District Court's injunction. Therefore such findings and conclusions do not fall as a necessary effect of the vacation of the injunction.

The relevance of the findings and conclusions to the District Court's adjudication of the merits of the action cannot be doubted. A federal court, whether sitting as a court of law or equity, has the inherent power to protect its process from abuse. *United States* v. *Powell,* 379 U. S. 48 (1964); *Gumbel* v. *Pitkin,* 124 U. S. 131 (1888); *Reid* v. *Prentice-Hall, Inc.,* 261 F. 2d 700 (6th Cir. 1958); *Pueblo DeTaos* v. *Archuleta,* 64 F. 2d 807 (10th Cir. 1933). Moreover, the District Court was under a duty to determine, as a prerequisite to the exercise of its equitable jurisdiction, whether plaintiff came into court with clean hands. *Hazel Atlas Glass Co.* v. *Hartford-Empire Co.,* 322 U. S. 238 (1944), *rehearing denied,* 322 U. S. 238 (1944); *Gaudosi* v. *Mellon,* 269 F. 2d 873 (3d Cir.), *cert. denied,* 361 U. S. 902 (1959); *Hall* v. *Wright,* 240 F. 2d 787 (9th Cir. 1957); *American Ins. Co.* v. *Lucas,* 38 F. Supp. 896, (W. D. Mo. 1940), *appeal dismissed* 314 U. S. 575 (1941), *aff'd sub nom. American Ins. Co.* v. *Scheufler,* 129 F. 2d 143 (8th Cir. 1942), *cert. denied,* 317 U. S. 687 (1942). Had the District Court concluded that plaintiff was guilty of unclean hands or had abused its process in connection with this litigation, the appropriate remedy would have been to dismiss the present action. See *Hazel Atlas Glass Co.* v. *Hartford-Empire Co., supra; Hall* v. *Wright, supra.* Determination of that issue of fact was not only relevant but critical to the merits of the case.

Plaintiff demonstrated in its Brief on this appeal that the issues on which the District Court made the additional

findings and conclusions were tried, as matters of defense, at the trial of this action. They were advanced in defendant's pretrial memorandum, became the subject of extensive cross-examination at the trial, and were emphatically asserted by counsel for defendant in his post-trial argument. Even if those matters had not been placed in issue, when such charges were brought to the attention of the District Court, it was obligated to consider them before granting the relief sought by plaintiff.

After Shelley had renewed these allegations in its new actions, the trial judge (having been made aware of these actions by Bancroft's promptly-filed motion) *on his own motion* reopened this aspect of the case and invited the parties to introduce any additional evidence on the question. When Shelley declined to do so, the Court, on the basis of the record made at trial, entered these additional findings and conclusions and granted Bancroft's motion.

Given the undoubted relevance of defendant's allegations to plaintiff's right to recover on the merits, the statements of Judge Kraft that his "adjudication in Bancroft's favor necessarily reflected [his] conclusion that Bancroft brought the action in good faith, and with no ulterior motive . . ." and "implicit in [his] adjudication in Bancroft's favor was a finding of Bancroft's good faith" are not open to question. What Judge Kraft decided at the time of his original adjudication was a fact, and a fact as to which only he could have personal knowledge. This factual finding has been set aside by this Court without any finding that it is unsupported by the record, or that Judge Kraft abused his discretion in making such a finding. Petitioner respectfully submits that, in the light of Judge Kraft's statement and the demonstrated relevance of defendant's allegations to the merits of this case, there is no basis for this Court's state-

ment that Judge Kraft was "looking over his shoulder long after he had decided the case on the merits. . . ." Instead, he was only making perfectly clear what he already had decided.

The present situation differs markedly from the hypothetical case posed by this Court at page 7 of its Opinion. There the judge in a criminal case was requested to rule upon an issue *not germane* to the proceeding before him, because a conviction could be had whether or not there was probable cause for the private prosecutor to have sworn out the warrant and the motive of the private prosecutor would not have any legal significance unless and until the criminal case resulted in a final judgment of acquittal. But here, the issue having been injected into the case by defendant, plaintiff's very right to recover depended upon its convincing the District Court that its purpose in bringing this action was a proper one exercised in good faith. Shelley's allegations of bad faith and improper motive on the part of Bancroft, if proved, would have been a complete defense to this action. Once defendant made these allegations, the District Court was required to satisfy itself that they were unfounded before entering final judgment in favor of plaintiff.

Faced with the situation presented here, it was entirely proper for Judge Kraft to file his supplemental adjudication. In *Marconi Wireless Co.* v. *United States,* 320 U. S. 1, 47 (1943), the Supreme Court has held squarely that, subsequent to its decision on the merits and while an accounting is pending, a district court "does not lack power . . . to reconsider any portion of its decision and reopen any part of the case." Furthermore, Rule 52(b) of the Federal Rule of Civil Procedure provides that a district

court may amend its findings or make additional findings even after judgment has been entered upon motion seasonably made. Petitioner submits that the summary vacation by this Court of the additional findings and conclusions is directly contrary to the rule of the *Marconi* case and represents a serious intrusion upon the District Court's power under Rule 52(b).

Nor can it be concluded that the mere institution by the defendant of its new actions in a state court terminates the District Court's power or duty to control and adjudicate the case before it. Such a proposition is of such novel and far-reaching importance to the delicate balance between the respective powers of the federal and state courts that it should not be resolved by this Court unless absolutely necessary to its decision. The relevance of any determinations of the District Court in this action to the issues in the subsequent actions is, as both the District Court (Appendix, p. 357a) and this Court have stated, for the courts in which those actions are pending to decide. But the power to determine issues relevant to this federal action properly resides in the District Court, whatever the effect of its determinations on the other actions.

II. This Court Exceeded Its Jurisdiction Under Section 1292(a)(1) of the Judicial Code in Vacating the Findings of Fact Nos. 175-177 of the District Court and the Conclusions of Law Based Thereon.

On this appeal, this Court's jurisdiction is limited, under §1292(a)(1) of the Judicial Code, 28 U. S. C. § 1292(2)(1), solely to the propriety of the grant of the preliminary injunction by the District Court. See, *e.g.*, *Reeve Music Co.* v. *Crest Records, Inc.*, 285 F. 2d 546 (1st

Cir. 1957); *Sheldon* v. *Moredall Realty Corp.*, 95 F. 2d 48 (2d Cir. 1938); *Chaleloid Chemical Co.* v. *H. B. Chalmers Co.*, 243 Fed. 606 (2d Cir. 1917). This Court does not now have jurisdiction to review the entire case, or any part of it, on the merits. *Drop Dead Co.* v. *S. C. Johnson & Son, Inc.*, 326 F. 2d 87 (9th Cir. 1963); *H. M. Kolbe Co.* v. *Armgus Textile Co.*, 315 F. 2d 70 (2d Cir. 1963); *Zwack* v. *Kraus Bros. Co.*, 237 F. 2d 255 (2d Cir. 1956); *Lederer* v. *Garage Equip. Mfg. Co.*, 235 Fed. 527 (7th Cir. 1916). The merits of the case are reviewable only after entry of final judgement. Since, as demonstrated, the findings and conclusions entered by the District Court are relevant to plaintiff's right to recover, it was improper for this Court to vacate them.

If the only function of the findings and conclusions of September 2, 1965 had been to support the injunction, it might be that this Court would have jurisdiction to vacate them as an incident to its reversal of the order granting the injunction. However, to do so, this Court would be required to determine that the findings and conclusions had no function other than to support the injunction. Otherwise, such a determination must await a review of those findings in the light of the entire record on an appeal from the final judgment of the District Court. Any doubt as to the function of those findings and conclusions should properly be resolved in favor of their retention pending such review.

Moreover, whenever those findings are to be reviewed, their propriety must be determined by reference to Rule 52(a) which prohibits their being set aside unless they are found to be "clearly erroneous." Such a determination,

like the determination of the relevance of these findings, would require a review of the entire record in this case. The Opinion of this Court does not refer to the evidence set forth in petitioner's Brief to support the findings, nor does it point to any evidence contrary to the findings or discuss any principle of law which would authorize the vacation of the findings without adherence to Rule 52(a).

CONCLUSION.

Recognizing the discretionary nature of this Court's power to vacate the injunction, petitioner has not requested a rehearing with respect to that part of this Court's decision. But petitioner respectfully submits that this Court erred in vacating findings and conclusions relevant to the plaintiff's right to recover prior to an appeal from a final judgment, and thus exceeded its statutory jurisdiction under § 1292(a)(1) of the Judicial Code to entertain interlocutory appeals. In so doing, this Court has denied the District Court the power to perform its rightful duty—the adjudication of the merits of the action. The entry of the findings and conclusions by the District Court represents not an "interstitial" determination of defendant's claims, but a determination of issues relevant and critical to plaintiff's right to recovery in this action. Reinstatement of them will not deprive defendant of its right to a full adjudication in the forum of its choosing, to the extent permitted by the doctrine of collateral estoppel, of the claims which it has asserted in its new actions. Vacation of them will, however deprive plaintiff of a full and explicit adjudication of all the issues involved in this action. Accordingly, petitioner respectfully requests that this Court grant a rehearing

and reinstate the vacated findings of fact and conclusions of law of the District Court.

Respectfully submitted,

Of Counsel:

JAMES H. CALLAHAN,
KENYON & KENYON,

C. BREWSTER RHOADS,
MONTGOMERY, MCCRACKEN,
WALKER & RHOADS.

THOMAS M. MARSHALL,
165 Broadway,
New York, N. Y.,

THOMAS N. O'NEILL, JR.,
1421 Chestnut Street,
Philadelphia, Pennsylvania,
Attorneys for Petitioner-Appellee.

CERTIFICATE OF COUNSEL

I, THOMAS N. O'NEILL, Esquire, hereby certify that the foregoing Petition for Rehearing is presented in good faith and not for delay.

THOMAS N. O'NEILL, JR.,
Attorney for Petitioner-Appellee
Joseph Bancroft & Sons Co.

Denial of Petition for Rehearing, April 20, 1967

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 15,664

JOSEPH BANCROFT & SONS CO.

v.

SHELLEY KNITTING MILLS, INC.,
Appellant

SUR PETITION FOR REHEARING

Present:

STALEY, *Chief Judge,* MCLAUGHLIN, HASTIE, SMITH, FREEDMAN, SEITZ, *Circuit Judges.*

The petition for rehearing filed by JOSEPH BANCROFT & SONS CO. in the above entitled case having been submitted to the judges who participated in the decision of this court and to all the other available circuit judges of the circuit in regular active service, and no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court in banc, the petition for rehearing is denied.

By the Court,
ABRAHAM L. FREEDMAN
Judge

Dated: April 20, 1967.

SUPREME COURT, U. S.

Office-Supreme Court, U.S.
FILED
SEP 15 1967
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

October Term, 1967.

No. 391.

JOSEPH BANCROFT & SONS CO.,
Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit.

BRIEF FOR RESPONDENT IN OPPOSITION.

HARRY SHAPIRO,
DAVID N. BRESSLER,
HENRY A. STEIN,
SHAPIRO, COOK & BRESSLER,
306 South 19th Street,
Philadelphia, Pennsylvania. 19103
Counsel for Respondent.

International, 711 So. 50th St., Phila., Pa. 19143—Tel. SA 7-4711 Area Code 215

INDEX.

	Page
Counter-Citations to Opinions Below	2
Counter-Statement of Questions Presented	3
Counter-Statement of the Case	4
Summary of Argument	7
Argument	10
Conclusion	27

CITATIONS.

Cases:	Page
Baird v. Aluminum Seal Co., Inc., 250 F. 2d 595 (3d Cir. 1957)	11, 12
Commerce Oil Refining Corp. v. Miner, 303 F. 2d 125 (1st Cir. 1962)	24, 25
Gumbel v. Pitkin, 124 U. S. 131 (1888)	14, 15
Helene Curtis Industries, Inc. v. Sales Affiliates, Inc., 247 F. 2d 940 (2d Cir. 1957)	8, 9, 21, 25, 26
Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc., 175 F. Supp. 107 (E. D. Pa. 1958)	4
Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc., 268 F. 2d 569 (3d Cir. 1959)	4
Joseph L. Muscarelle, Inc. v. Central Iron Mfg. Co., 328 F. 2d 791 (3d Cir. 1964)	23
Los Angeles Trust Deed & Mortgage Exchange v. SEC, 264 F. 2d 199 (9th Cir. 1959)	20
Marconi Wireless Telegraph Co. v. United States, 320 U. S. 1 (1943)	7, 16, 17
Mayflower Industries v. Thor Corp., 182 F. 2d 800 (3d Cir. 1950)	20
Musgrove v. National Surety Corp., 191 F. Supp. 1 (N. D. Ala. 1961)	27

CITATIONS (Continued).

Page

Pueblo de Taos v. Archuleta, 64 F. 2d 807 (10th Cir. 1933) ... 12, 13
Reid v. Prentice-Hall, Inc., 261 F. 2d 700 (6th Cir. 1958) 13
Shannon v. Retail Clerks, International Protective Association, 128 F. 2d 553 (7th Cir. 1942) 20
Sperry-Rand Corp. v. Rothlein, 288 F. 2d 245 (2d Cir. 1961) 8, 21, 24, 25
Toucey v. New York Life Insurance Co., 314 U. S. 118 (1941) 22
United States v. Powell, 379 U. S. 48 (1964) 14

Constitution of the United States:

Seventh Amendment 18

Statutes:

Judiciary and Judicial Procedure Act of June 25, 1948, Title 28 United States Code:
Sec. 1292(a)(1) (28 U. S. C. § 1292(a)(1) 3, 18
Sec. 2283 (28 U. S. C. § 2283) 3, 8, 9, 22, 23, 25, 26, 27

Court Rules:

Federal Rules of Civil Procedure 30(d) 14
Federal Rules of Civil Procedure 52(b) 7, 8, 17
Federal Rules of Civil Procedure 60(b) 7, 8, 17, 18
Federal Rules of Civil Procedure 65(d) 19, 20

IN THE

Supreme Court of the United States.

OCTOBER TERM, 1967.

No. 391.

JOSEPH BANCROFT & SONS CO.,
Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

BRIEF FOR RESPONDENT IN OPPOSITION.

COUNTER-CITATIONS TO OPINIONS BELOW.

Respondent accepts as essentially correct, petitioner's "Citations to Opinions Below", except that:

1. Petitioner creates the mis-impression, through an incomplete selection of quotations from the "Memorandum, Opinion and Order" entered by the District Court on December 28, 1964, that there had in fact been a previous hearing, at which some evidence had been submitted relevant to respondent's causes of action for conspiracy and malicious abuse of process. Actually, the "Memorandum Opinion and Order" merely states that "in light of the allegations [in the actions commenced by respondent for conspiracy and abuse of process] of the plaintiff [respondent] . . . we deem is legally incumbent upon this [the District] Court to make a full inquiry into the motivation and purpose in the institution of this suit" (Appendix B, p. 2a). Although the lower court purported to direct a "further" hearing for the submission of "additional" evidence, there had never been a hearing for the purpose of submitting evidence relevant to the actions for conspiracy and abuse of process.

2. Petitioner's description of the "Opinion and Judgment" of the Court of Appeals (referred to in paragraph No. 3 of petitioner's "Citations to Opinions Below") fails to mention that the Circuit Court, in vacating the supplemental adjudication, expressly stated that the supplemental adjudication was the basis for the injunction (also vacated) (Appendix B, p. 20a).

COUNTER-STATEMENT OF QUESTIONS PRESENTED.

I. In a federal district court proceeding in which plaintiff asserts causes of action for breach of contract, trademark infringement, and unfair competition, and in which defendant does not assert either by defense or counterclaim causes of action for conspiracy and malicious abuse of process, may the trial judge, two years after adjudicating the merits of plaintiff's causes of action, request evidence and argument on, enter a supplemental adjudication on the merits of, and then enjoin the prosecution of, defendant's causes of action against plaintiff for conspiracy and malicious abuse of process instituted by defendant in a state court?

II. In vacating such an injunction under the "Interlocutory Decisions" statute, 28 U. S. C. § 1292(a)(1), may not the Court of Appeals vacate the District Court's supplemental adjudication on which that injunction was based, and which pertains solely to that injunction and was not relevant to any cause of action asserted in the lower court?

III. Does not 28 U. S. C. § 2283 bar a district court from entering such an injunction, since such injunction is neither expressly authorized by Act of Congress, nor necessary in aid of the district court's jurisdiction or to protect or effectuate its judgment?

COUNTER-STATEMENT OF THE CASE.

For several years prior to petitioner's institution of these federal district court proceedings in 1958, respondent, under license agreement from petitioner, had been manufacturing and distributing sweaters under the trademark "Ban-Lon".

On July 26, 1958, petitioner instituted these proceedings asserting causes of action for breach of contract, trademark infringement and unfair competition (Complaint, R. 8a). Petitioner sought a preliminary injunction to enjoin respondent from using or disposing of goods bearing the "Ban-Lon" trademark, and an accounting for profits made by respondent on goods which did not conform to the license agreement.

On September 11, 1958, a preliminary injunction was granted by the District Court. *Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc.*, 175 F. Supp. 107 (E. D. Pa. 1958).

On July 20, 1959, on appeal, the Third Circuit Court of Appeals reversed that preliminary injunction, because the lower court had abused its discretion. *Joseph Bancroft & Sons Co. v. Shelley Knitting Mills, Inc.*, 268 F. 2d 569 (3d Cir. 1959).

From January to April, 1962, a trial was held, confined to the merits of plaintiff's cause of action. Respondent did not assert by way of defense or counterclaim, any cause of action for conspiracy or malicious abuse of process. Rather, respondent asserted the defenses of estoppel and waiver, and cross-examined and impeached the credibility of petitioner's witnesses in support of those defenses.

On December 27, 1962, the District Court entered an adjudication on the merits of petitioner's causes of action (Adjudication, R. 206a-288a). The adjudication contained 174 findings of fact and 18 conclusions of law, and denied petitioner a permanent injunction. None of those 174

findings of fact or 18 conclusions of law purported to relate to petitioner's motivation in instituting the proceedings, nor did petitioner request the District Court to enter findings of fact or conclusions of law relating to that motivation. The District Court retained jurisdiction pending an accounting to determine the profits, if any, respondent made in selling or disposing of goods which did not conform to the license agreement.

On September 11, 1963, respondent instituted suits in the Pennsylvania state courts. Respondent asserted causes of action against petitioner and others for conspiracy to abuse, and malicious abuse of, process in instituting the instant action which, irrespective of its validity, respondent asserted was instituted not to protect petitioner's trademark, but rather to drive respondent out of business. One of those suits has been removed to the Federal District Court.

On November 1, 1963, petitioner filed with the same District Court Judge who had entered the adjudication containing the 174 findings of fact and 18 conclusions of law, a motion requesting an order enjoining respondent from procsecuting all suits for conspiracy and malicious abuse of process (Motion for Order in Aid of Judgment, R. 289a-294a). Petitioner's motion alleged, *inter alia*, that respondent's causes of action for conspiracy and malicious abuse of process were barred because they should have, but had not, been submitted by respondent as a compulsory counterclaim to petitioner's causes of action.

On December 28, 1964, the District Court entered an order directing a hearing on February 2, 1965, at which the parties could submit "additional" evidence on the issues of conspiracy and malicious abuse of process (Appendix B, pp. 2a-3a). On February 17, 1965, respondent petitioned the District Court to vacate that order. Respondent's petition asserted that the District Court was without jurisdiction to undertake such an inquiry, and advised the Court that respondent would submit no such evidence (Petition to With-

draw Order, R. 344a-347a). At the hearing, no such evidence was submitted by either party.

On September 2, 1965—i.e., almost three years after the original adjudication December 27, 1962 containing the 174 findings of fact and 18 conclusions of law—the District Court Judge entered a supplemental adjudication consisting of an opinion and order (Appendix B, pp. 4a-10a). The order denied respondent's motion to vacate the Court's order of December 28, 1964, contained three additional findings of fact and three additional conclusions of law, and preliminarily enjoined and restrained respondent from prosecuting its causes of action for conspiracy and abuse of process originally brought in the Pennsylvania state court.

Respondent thereupon appealed from the entry of that preliminary injunction to the Third Circuit Court of Appeals, which reversed by order dated March 8, 1967, and vacating the injunction and the supplemental adjudication upon which it was based (Appendix B, pp. 20a-21a). The Circuit Court held that the conspiracy and malicious abuse of process actions instituted by respondent in the state court, constituted "no affront to the dignity or authority of the [District] Court" (Appendix B, p. 18a), and that the District Court Judge had erred in interfering with respondent's separate causes of action brought in the state court. Rehearing was denied (Appendix B, p. 34a).

SUMMARY OF ARGUMENT.

I(a).

No conflict exists between the instant decision of the Circuit Court of Appeals, and any Supreme or Circuit Court decisions. Petitioner's argument is a labored attempt to produce a "conflict" by misinterpreting the instant Circuit Court's holding, and by refusing to recognize the differences between mis*use* of process and *abuse* of process.

The instant Circuit Court decision held that under the particular circumstances of this case, respondent's independent suits for conspiracy and malicious *abuse* of process brought in a state court were irrelevant to the proceedings in the District Court, and that, therefore, it was improper for the District Court to have enjoined them.

The cases cited by the petitioner as in "conflict" with the instant Circuit Court decision hold uniformly that a court has a duty to investigate a charge that its process is being mis*used* (as distinguished from *abused*). A charge of misuse of process, which necessarily carries with it an assertion of lack of probable cause, is relevant to the proper disposition of an action pending before the court. However, a charge of *abuse* of process, which does not carry with it an assertion of lack of probable cause, is irrelevant to the proper disposition of a pending cause of action.

I(b).

No conflict exists between the instant Circuit Court's holding and either the decision of this Court in *Marconi Wireless Telegraph Co. v. United States*, 320 U. S. 1 (1943), or Federal Rules of Civil Procedure 52(b) and 60(b).

Marconi held that a court has the discretion to permit, prior to final judgment, the submission of additional evi-

dence and argument *relevant* to a cause of action before the court. The Circuit Court decision simply held that a court should not adjudicate matters *not relevant* to a cause of action before it.

Rules 52(b) and 60(b) do not even purport to permit a court to adjudicate causes of action not before it. Furthermore, no motion for amendment was made under Rule 52(b), nor was any motion for relief made under Rule 60(b).

I(c).

The Circuit Court was not required to, and thus did not, consider the question of whether the lower court's injunction denied respondent a right to jury trial. Instead, the Circuit Court held that, irrespective of any question of jury trial, the lower court's injunction was improper.

II.

The Opinion of the Circuit Court fully detailed its reasons for vacating the District Court's supplemental adjudication. The supplemental adjudication was irrelevant to the causes of action before, and the prior adjudication entered by, the District Court, and was entered solely for the purpose of supporting a preliminary injunction improperly issued. In vacating that preliminary injunction, the Circuit Court properly vacated that irrelevant supplemental adjudication.

III.

With regard to the application of 28 U. S. C. § 2283, there is no conflict whatever between the instant Circuit Court decision, and either *Sperry-Rand Corp. v. Rothlein*, 288 F. 2d 245 (2d Cir. 1961), or *Helene Curtis Industries, Inc. v. Sales Affiliates, Inc.*, 247 F. 2d 940 (2d Cir. 1957). Unlike the instant case, *Sperry-Rand* involved an attempt by a party to misuse the fruits of a federal court order, while *Helene Curtis* involved the use by a district court of

an injunction to bar another court's relitigating issues already decided. Moreover, *Helene Curtis,* which concerned one federal court's enjoining an action in another federal (not state) court, did not even involve 28 U. S. C. § 2283.

It is clear that the power of a federal court to control its docket by enjoining concurrent litigation which relitigates issues already decided, does not include the power to enjoin separate causes of action not already litigated.

ARGUMENT.

I(a).

Petitioner argues that the instant Circuit Court decision "conflicts" with Supreme and Circuit Court decisions, which latter decisions, so petitioner argues, hold that a court has a duty to determine any allegation of malicious abuse of its process. Petitioner's argument amounts to a labored effort to produce an apparent conflict where none actually exists, and errs clearly in at least two fundamental respects:

First, the instant Circuit Court decision does not hold, as petitioner argues, that *no* court in *any* action should *ever* adjudicate an allegation of abuse of process; and

Second, petitioner fails to distinguish between two basically different causes of action, i.e., malicious *abuse* of process on the one hand with which the instant case is concerned, and malicious *use* of process on the other with which the instant case is not concerned. Those two errors constitute the heart of petitioner's argument, and when their existence is recognized, petitioner's argument falls, and with it vanishes petitioner's "conflict".

First: The Circuit Court did not hold, as petitioner argues, that *no* court in *any* action should *ever* adjudicate an allegation of abuse of process. Rather, the Circuit Court held that even if there were such a power of adjudication, it should not have been exercised in the existing circumstances of this particular case:

> "In our view it is unnecessary to determine whether the court below had power to enjoin Shelley from prosecuting its actions for malicious abuse of process. For even if the power exists, we believe that it should

not have been exercised *in the existing circumstances.* The adjudication of the merits of an action *before the court* ordinarily is the limit of its duty. There may, of course, exist circumstances so unusual in their nature that a court should determine the intention with which the litigation is brought in order to avoid hearing a collusive action or one which does not represent a justiciable controversy. *This, however, is not such a case''* (Appendix B, p. 17a, emphasis supplied).

As the Circuit Court indicated, no cause of action for "malicious abuse of process" was before the District Court. The Circuit Court's underlying reasoning is clear: respondent had not asserted by defense or counterclaim any cause of action for conspiracy or malicious abuse of process, and, as is shown below in the argument on the second of petitioner's errors, the adjudication of the merits of any such cause of action would not be relevant to the adjudication of the merits of petitioner's causes of action.

Second: Petitioner's argument fails to distinguish between two basically different causes of action, i.e., malicious *use* of process on the one hand, and malicious *abuse* of process on the other.

Malicious *use* of process is a cause of action arising out of a prior cause of action prosecuted unsuccessfully with malice, *and* without probable cause. *Baird v. Aluminum Seal Co.,* 250 F. 2d 595 (3d Cir. 1957). Undoubtedly, a court should inquire whether its process is being *used* maliciously. Such an inquiry is necessarily relevant to the proper disposition of plaintiff's cause of action, because, obviously, for a defendant to demonstrate in a pending action that the plaintiff is maliciously *using* the court's process is, necessarily, to demonstrate a lack of probable cause, which demonstrates a lack of merit in plaintiff's action. In short, a court's determination that plaintiff is liable for malicious *use* of process is fundamentally incom-

patible with a determination of the underlying cause of action in favor of that plaintiff.

However, malicious *abuse* of process is a cause of action arising out of a prior cause of action which, even if perfectly valid and successfully prosecuted, was brought for an improper purpose.

> "In actions for malicious abuse of process the original issuance of the process was justified but the process itself was put to an illegal use." *Baird v. Aluminum Seal Co., supra* at page 600.

The existence of a valid cause of action for malicious *abuse* of process, unlike a valid cause of action for malicious *use* of process, is completely compatible with the Court's determination of the underlying cause of action in favor of that plaintiff.

In the instant case, the lower court enjoined the prosecution of irrelevant causes of action for malicious *abuse*—not relevant causes of action for malicious *use*—of process. That is why the Circuit Court reversed.

Petitioner cites four appellate case (and three of them only by way of footnote) in support of its labored argument that a "conflict" exists between the instant Circuit Court decision on the one hand, and other Circuit and Supreme Court decisions on the other. A brief analysis of those four cases shows that they are all consistent with each other and the instant Circuit Court decision:

1. *Pueblo de Taos v. Archuleta,* 64 F. 2d 807 (10th Cir. 1933) holds that a court should determine the intention with which litigation is brought, in order to avoid hearing a collusive action or one which does not present a justiciable controversy. Obviously, whether an action is collusive, or whether a controversy is justiciable, is relevant to determine its merits.

In *Pueblo,* one of several defendants charged:

> ". . . . that the action was brought, not to obtain a judicial determination of the rights of plaintiff, but to

> harass the defendants . . . that the action was collusive in that plaintiff and many [other] defendants agreed that the cause would be kept on the dockets of the court for the purpose of inducing Congress to believe that adversary and interminable litigation would ensue unless Congress appropriated additional sums for both the plaintiff and defendants." *Pueblo de Taos v. Archuleta, supra,* at page 811.

In the light of that charge and of the history of that particular case, the plaintiff's motives for bringing the cause of action bore directly on the validity of the cause of action itself. For a court to hold there is no real controversy between the parties, is to determine the invalidity of plaintiff's cause of action. Indeed, the possible existence of circumstances such as those presented in the *Pueblo* case was expressly recognized by the instant Circuit Court:

> "There may, of course, exist circumstances so unusual in their nature that a court should determine the intention with which the litigation is brought in order to avoid hearing a collusive action or one which does not represent a justiciable controversy. *This, however, is not such a case"* (Appendix B, p. 17a, emphasis supplied).

In short, *Pueblo* holds that a court should determine whether its process is being mis*used*—not whether its process is being *abused.*

2. *Reid v. Prentice-Hall, Inc.,* 261 2d 700 (6th Cir. 1958) is also irrelevant. The "abuse of process" involved in that case actually concerned the failure of a plaintiff, in disobedience of a court order, to complete a settlement in accordance with a valid and binding agreement of settlement and compromise entered into subsequent to the commencement of the action. When the plaintiff refused to complete the settlement, the court ordered plaintiff to do so, upon penalty of a summary dismissal of plaintiff's cause of action. Plaintiff disobeyed the court order, and his

cause of action was dismissed. Obviously, if a party has agreed to settle a cause of action, he may not, in violation of a court order, mis*use* the process of the courts to prosecute that cause of action. The fact that a party has entered into a valid and binding agreement to settle a cause of action is relevant to determine its proper disposition.

3. *United States v. Powell*, 379 U. S. 48 (1964)—the only case cited by petitioner not by way of footnote—involved a Government effort to enforce, by court order, a summons similar to a subpoena, which would have forced a taxpayer to produce books and records. The court indicated that if the taxpayer could affirmatively prove that the summons was being used for purposes of harassment and vexation, the court would not enforce it. However, once again, the purpose for which the summons was sought was obviously relevant to the determination of whether the summons should be enforced. For, if the summons had been brought in bad faith, it should not be enforced. This is expressly recognized in the Federal Rules of Civil Procedure governing discovery proceedings. Discovery (the summons involved in *Powell* is akin to discovery proceedings) will not be allowed if brought in bad faith. Federal Rule of Civil Procedure 30(d). Bad faith is thus a defense to discovery. In short, the question in *Powell* was whether the court's process is being mis*used*—not whether it was being *abused.*

4. The last case cited by petitioner is *Gumbel v. Pitkin*, 124 U. S. 131 (1888). The case is again irrelevant. In *Gumbel*, an intervenor—a state judgment creditor of debtor—asserted the invalidity of a federal marshal's attachment of a debtor's property pursuant to a writ of attachment issued on a Sunday, and that the intervenor's attachment therefore had priority over the federal marshal's attachment. The intervenor was opposed, on grounds that he employed the wrong procedure by intervening in the federal proceedings instead of bringing an independent action in

replevin. The court, in holding in favor of the intervenor, stated that the court has a'

> ". . . duty . . . to prevent its process from being abused to the injury of third persons, and to protect its officers and its own custody of property in their possession so as to defend and preserve its jurisdiction, for no one is allowed to question or disturb that possession except by leave of the court." (*Gumbel v. Pitkin, supra,* at page 145)

Obviously, *Gumbel* has nothing whatsoever to do with the arguments raised by petitioner in the instant petition for certiorari.

The refusal of petitioner to distinguish between the respective basic characteristics of "abuse" and "use" of process and to analyse, in the light of those characteristics, the actual adjudications on which petitioner relies to produce its "conflict", is fatal to petitioner's argument. The Circuit Court, however, was fully aware of those respective differences:

> "Although the action of the court below was expressed in the form of a vindication of the purity of its processes, what is realistically involved constitutes no affront to the dignity or authority of the court, *but involves simply a claim that a right to damages exists against one who improperly employed the right subsisting in a valid cause of action to the damage and injury of his adversary.* Such a claim is entitled to the independent determination which Shelley has invoked, and not to an adjudication subordinated to the merits of the cause of action which Shelley claims is not determinative, even if it is valid, of the suit for malicious abuse of process" (Appendix B, p. 18a, emphasis supplied).

I(b).

Petitioner's next argument also amounts to a labored effort to produce an apparent conflict where nothing ac-

tually exists, this time between the Supreme Court's decision in *Marconi Wireless Telegraph Co. v. United States,* 320 U. S. 1 (1943) on the one hand, and the instant Circuit Court's decision on the other.

Even on its face, no such conflict exists.

Marconi simply holds that with regard to the causes of action before it, a court has the discretion prior to entry of final judgment, to reopen its decision, entertain re-argument on evidence already presented, and allow the presentation of new relevant evidence.

The instant Circuit Court's holding is that the trial judge should not have adjudicated plaintiff's causes of action on their merits, and then reopened the case two years later to enter a supplemental adjudication on defendant's irrelevant causes of action for conspiracy and malicious abuse of process.

Once again, petitioner's argument amounts to a failure to distinguish between the relevant and irrelevant. *Marconi* deals exclusively with a reargument and the presentation of new evidence relevant to a cause of action brought by plaintiff and then pending before that court.

Specifically, in *Marconi,* plaintiff brought an action for infringement of several patents. After the lower court had entered findings adverse to defendant with regard to the infringement of one such patent, but before the entry of final judgment, defendant offered to introduce new evidence bearing on the question of that very infringement. The lower court considered itself powerless to hear this new evidence. On appeal, the Supreme Court held that the lower court had the discretion to decide whether or not to hear the new evidence, and remanded the case to the lower court to permit it to exercise its discretion.

It should be noted that in so remanding, the Supreme Court established guidelines for the lower court's exercise of discretion. One of the guidelines was whether the defendant had previously "failed to make any contention as to validity or construction of" the patent. *Marconi Wireless Telegraph Co. v. United States, supra* at page 48. In other

words, the guideline was to the effect that unless the new evidence defendant now desired to offer was related to evidence previously presented by defendant with regard to plaintiff's cause of action, the lower court need not exercise its discretion in favor of defendant. It is clear from *Marconi,* that the new evidence must be *relevant* to the cause of action asserted in the lower court proceedings.

The instant case differs in at least two basic respects from the *Marconi* case: first, unlike *Marconi,* this defendant (i.e., the petitioner) has *not* requested the court to hear new evidence; and, second and more importantly, unlike *Marconi,* the new evidence the instant lower court sought to hear, was irrelevant to the proceedings before it.

Petitioner next argues the existence of another "conflict", this time between the decision of the Court of Appeals and Federal Rules 52(b) and 60(b). There is no such conflict, if only because neither rule is relevant. Rule 52(b) simply provides that:

> "Upon motion of a party made not later than 10 days after entry of judgment the court may amend its findings or make additional findings and may amend the judgment accordingly."

In the instant case, no such motion was made at all by any party, let alone within ten days after entry of judgment. Moreover, implicit in Rule 52(b) is the requirement that the amendatory action be *relevant* to causes of action before it.

Rule 60(b) provides that "On motion and upon such terms as are just, the court may relieve a party or his legal representative from a final judgment, order, or proceeding" because of mistake, inadvertence, surprise, excusable neglect, newly discovered evidence, fraud, misrepresentation, misconduct, that the judgment is void, or has been satisfied, etc., and "any other reason justifying relief from the operation of the judgment." Once again, no such motion was made by anybody, nor did the court relieve a party or its legal representative from a final judgment, order or

proceeding. And, of course, implicit in Rule 60 (b) is the requirement that any relief granted must be relevant to the causes of action before the court, and certainly not to causes of action not before it. Surely, Rule 60(b) contemplates a situation in which the relief granted by the court would be to the benefit, not prejudice, of the injured party (respondent).

I(c).

Petitioner next argues an important question exists concerning the right to jury trial under the Seventh Amendment of the Constitution. No such question exists. The Circuit Court did not pass upon this question. Rather, the Circuit Court held that, irrespective of any question of jury trial, the lower court's injunction was improper. Petitioner's argument attempts to raise a Constitutional question not now raised by respondent and not passed upon by the Circuit Court.

II.

Petitioner argues the Circuit Court exceeded its jurisdictional limits under 28 U. S. C. § 1292(a)(1), by vacating the lower court's supplemental adjudication on which was based the vacated preliminary injunction.

Petitioner's argument, and its two basic errors, is summed up in one sentence from the Petition:

> "The act [about which petitioner complains] was the [Circuit Court's] vacating, *without comment,* of findings and conclusions *relevant* to the right of petitioner to recover on the merits of the action still pending in the District Court" (Petitioner's Brief, pp. 17-18, emphasis supplied).

Petitioner's first basic error is the assertion that the Circuit Court vacated a supplemental adjudication "without comment." It is true, of course, that the brief document entitled "Judgment" dated March 8, 1967 by which, technically, the supplemental adjudication was vacated, con-

tained virtually no comment (except for the highly significant one that the vacated preliminary injunction was *"based"* on the supplemental adjudication). However, the entire accompanying "Opinion" of the Circuit Court (Appendix B, 11a-19a) amounts to nothing less than an extended and detailed "comment". It is impossible to read the Opinion, and remain in any doubt whatever as to exactly why the Circuit Court was vacating both the preliminary injunction and the supplementary adjudication on which it was based.

Petitioner's second basic error is the assertion that the findings and conclusions of the supplementary adjudication were *"relevant"* to the right of petitioner to recover on the merits of the action still pending in the District Court. Clearly, as already argued extensively herein, those findings and conclusions were *irrelevant.* The record shows that they were irrelevant. Implicit in the Circuit Court's statement that "the adjudication of the merits of an action before the court ordinarily is the limit of its duty" (Appendix B, p. 17a) is the holding that they were irrelevant. From every viewpoint, they were irrelevant.

One cannot possibly review that supplementary adjudication and its genesis, and conclude that its purpose was to implement the prior adjudication entered almost three years earlier. Its sole purpose was to form a basis for enjoining respondent's prosecution of its separate and independent actions for conspiracy and malicious abuse of process. Indeed, as a matter of law, the preliminary injunction would have been improperly issued unless the lower court had entered a supplemental adjudication setting forth the reasons for its issuance. Under Federal Rule of Civil Procedure 65(d):

> "Every order granting an injunction and every restraining order shall set forth the reasons for its issuance. . . ."

It has long been held that Rule 65(d) is mandatory, and that the failure to comply with it, in and of itself, is grounds

for and requires reversal of the granting of a preliminary injunction.[1]

> Petitioner's argument also complains that
> "Had there been no injunctive order as set forth in paragraph 4 of that [the lower court] decision no appeal could have been taken to the Court of Appeals and hence the findings would have stood until an appeal from the final judgment. At that time those findings could have been reviewed by the Court of Appeals against the background of the entire record. Petitioner contends that the record fully supports the findings" (Petitioner's Brief, p. 18).

However, petitioner's argument ignores the abvious fact that if there had been no such injunctive order—i.e., if, as petitioner hypothesizes, respondent were not enjoined from prosecuting its actions for conspiracy and malicious abuse of process—respondent could have afforded to await a review of those findings by the Court on Appeals on appeal from the final judgment. On that appeal, respondent would then have presented the same argument that respondent recently asserted in the instant appeal to the Circuit Court, namely, that the findings were irrelevant. And, presumably, the Circuit Court would have sustained that argument on that appeal, in the same way the Circuit Court recently sustained it.

Unlike petitioner's hypothesis, an injunction *was* issued. And, once it was issued, the entry of a supplemental adjudication became mandatory under Rule 65(d) because, otherwise, the preliminary injunction would have had to be reversed out of hand. The supplemental adjudication was an integral and indispensable part of the action of the lower court in entering the preliminary injunction. In reviewing the propriety of the lower court's order granting the pre-

1. *Mayflower Industries v. Thor Corporation,* 182 F. 2d 800 (3d Cir. 1950); *Los Angeles Trust Deed and Mortgage Exchange v. SEC,* 264 F. 2d 199 (9th Cir. 1959); *Shannon v. Retail Clerks, International Protective Association,* 128 F. 2d 553 (7th Cir. 1942).

liminary injunction, the Circuit Court did so in the light of the findings of fact, conclusions of law and opinion constituting the supplemental adjudication on which that order was based. The preliminary injunction was improperly issued, and therefore should have been vacated. The Circuit Court has the power to vacate a supplemental adjudication entered solely to form a basis for the preliminary injunction.

III.

Petitioner's third argument is another elaborate and artificial attempt to produce a non-existent "conflict", this time between the instant Circuit Court opinion, and *Sperry-Rand Corp. v. Rothlein*, 288 F. 2d 245 (2d Cir. 1961) and *Helene Curtis Industries, Inc. v. Sales Affiliates, Inc.*, 247 F. 2d 940 (2d Cir. 1957). There is no conflict, and any alleged "conflict" is solely the result of petitioner's (1) persisting in its refusal to distinguish between the relevant (malicious use of process) and irrelevant (malicious abuse of process), and (2) lifting out of context the word "policy", and distorting the instant Circuit Court opinion.

(1) The core of petitioner's argument is contained in one sentence in petitioner's brief:

> "In extending that policy so far, the Court of Appeals has precluded the District Court from preventing *re*litigation of *relevant* issues of fact and law *already litigated and decided in this case* against respondent and *re*alleged in the respondent's conspiracy and abuse of process actions." (Petitioner's Brief, p. 20, emphasis supplied).

It would be redundant to demonstrate that which has been amply demonstrated hereinbefore, namely, that the conspiracy and abuse of process actions improperly enjoined by the District Court, were *not* relevant, have *not* been already litigated or decided, and were *not* realleged.

(2) Petitioner has seized upon, and taken out of context, one word in the Circuit Court's opinion, and has constructed on it an extensive and complicated argument. That one word is "policy". According to the petitioner, the instant Circuit Court has extended a "policy" to the point where a federal court should never enjoin a state court proceeding, and has thereby ignored 28 U. S. C. § 2283 in "an attempt to reinstate the law set forth in *Toucey v. New York Life Insurance Co.*, 314 U. S. 118 (1941). The Circuit Court did no such thing; with regard to 28 U. S. C. § 2283, it actually stated that:

> "In holding that the court below should have declined to interfere with the separate actions which Shelley originally brought in the state courts, one of which is still pending there against Bancroft and the individual defendants, we also effectuate the policy which prohibits the federal courts from lightly granting injunctions against proceedings in state courts. This policy is now expressed in 28 U. S. C. § 2283: 'A court of the United States may not grant an injunction to stay proceedings in a State court except as expressly authorized by Act of Congress, or where necessary in aid of its jurisdiction, or to protect or effectuate its judgment.'" (Appendix B, pp. 18a-19a, emphasis supplied).

It is clear that the Circuit Court was simply holding that the District Court's injunction was issued in violation not only of the express language of 28 U. S. C. § 2283, but of its underlying policy as well.

The history of 28 U. S. C. § 2283 is clear. In *Toucey v. New York Life Insurance Co.*, 314 U. S. 118 (1941), the Supreme Court issued a blanket prohibition against federal courts enjoining *re*litigation proceedings in state courts. Thereafter, 28 U. S. C. § 2283 was enacted to provide for the following three exceptions to Toucey's blanket prohibition:

1. "as expressly authorized by Act of Congress, or"

2. "where necessary in aid of its jurisdiction, or"

3. "to protect or effectuate its judgment".

As will be briefly shown, none of those three exceptions is present in the instant case, and the District Court's injunction was therefore barred by 28 U. S. C. § 2283.

1. There is no express authorization by Act of Congress permitting an injunction in the instant situation, nor has petitioner ever claimed one.

2. An injunction is "necessary in aid of its jurisdiction" only where the federal court action "would be impaired or made less effective by the" state court action.

> "If the enjoined state proceeding could not prejudice any otherwise proper disposition of some claim pending in the federal suit, the injunction cannot be in aid of federal jurisdiction." *Joseph L. Muscarelle, Inc. v. Central Iron Mfg. Co.*, 328 F. 2d 791, 794 (3d Cir. 1964).

Clearly, it has been amply demonstrated that the instant state court proceedings could not prejudice an otherwise proper disposition of the claims pending in the instant federal suit. Moreover, the Reviser's Note to § 2283 indicates that the phrase "in aid of its jurisdiction" was added to the statute "to make clear the recognized power of the Federal courts to stay proceedings in State cases removed to the district courts." Respondent has never attempted to proceed further in the state courts on its one action that was removed to the federal court.

3. An injunction cannot be issued "to protect" a court's judgment unless the judgment needs "to be 'protected' from action which would frustrate it, . . ." Nor may it be issued to "effectuate" the court's judgment unless, "in the language of the Reviser's Note, the further

action would mean 'relitigation of actions and controversies fully adjudicated.'" *Commerce Oil Refining Corp. v. Miner,* 303 F. 2d 125, 127 (1st Cir. 1962). As has been repeatedly demonstrated herein, the original adjudication of the District Court would be in no way frustrated by the state court actions, nor would the state court actions retry any issues which had been decided in the original adjudication.

Petitioner contends that the instant Circuit Court decision is in conflict with *Sperry-Rand Corp. v. Rothlein,* 228 F. 2d 245 (2nd Cir. 1961). There is no conflict. In *Sperry-Rand,* the federal court, by enjoining the plaintiff from using in the state court action information plaintiff had obtained through the federal discovery procedures, accomplished two purposes: first, it imposed a limitation on the use of material that, in essence, the federal court had provided; and, second, it maintained the priority of discovery which it had established and insured the orderly completion thereof.

The heart of the decision in *Sperry-Rand* is contained in the following paragraph:

> "Implicit in any schedule of discovery proceedings is the assumption that, absent unusual circumstances, interlocutory relief will not be granted until both parties have an equal opportunity to learn the facts and present their case to the court. It was this aspect of the order that the plaintiff was trying to nullify by proceeding in the state court instead of seeking similar relief in the federal court action. Enjoining this attempt to avoid the thrust of the federal court decree is not prohibited by 28 U. S. C. § 2283." *Sperry-Rand Corp. v. Rothlein, supra,* at page 249.

Sperry-Rand involved, therefore, a deliberate attempt by a party to a federal action to misuse the discovery prority ordered by the federal court to obtain a temporary injunction in a state court on a similar action, although that

priority was established by the federal court with a view to enabling *both* parties to complete discovery before injunctive relief should be granted. Enjoining the plaintiff from misusing this priority was necessary to effectuate *the earlier order* of the federal court relating to the priority of discovery. The *Sperry-Rand* decision rests on this basis, and expressly held that § 2283 could be utilized to effectuate "orders" as well as "judgments".

The instant case is entirely dissimilar. Here, respondent has instituted and is attempting to maintain independent lawsuits asserting independent causes of action which neither affect nor are affected by the instant action, and which may proceed to a conclusion regardless of the independent lawsuits instituted by respondent. There has been no attempt by respondent to use the fruits of any order which the court below intended to restrict to the instant action.

Petitioner also falls into error by citing the case of *Commerce Oil Refining Corp v. Miner, supra,* as a case which considered the *Sperry-Rand* decision as being correct. In *Commerce Oil,* the Third Circuit Court of Appeals vacated an injunction of a federal district court barring a state court action for the same reason that the instant Circuit Court vacated the injunction granted by the instant District Court—namely that "the present case involves neither protection nor effectuation" as required by 28 U. S. C. § 2283. *Commerce Oil Refining Corp. v. Miner, supra* at page 128. The Court in *Commerce Oil* cited the *Sperry-Rand* decision once in its opinion, and that citation was followed by the introductory signal "cf." which means "compare".

Petitioner contends that the instant Circuit Court decision is in conflict with *Helene Curtis Industries, Inc. v. Sales Affiliates, Inc.,* 247 F. 2d 940 (2d Cir. 1957). First, *Helene Curtis* did not even involve an application of 28 U. S. C. § 2283. One will seek in vain for any reference whatever in the entire *Helene Curtis* opinion to 28 U. S. C. § 2283. This is because *Helene Curtis* was concerned with the power

of a federal court to enjoin a suit brought in the *federal* courts of another circuit, and not the power of a federal court to enjoin a suit brought in a *state* court. 28 U. S. C. § 2283, by its terms, applies only and expressly to the enjoining of state court suits. Obviously there could be no possible conflict between the instant Circuit Court opinion and the *Helene Curtis* opinion.

Furthermore, the factual circumstances in the *Helene Curtis* case have no resemblence whatever to the factual circumstances in the instant case. This is how Circuit Judge Lumbard described the question presented on that appeal:

> "The question for decision is this: Where one federal court after protracted and expensive litigation, has *already decided* that a patent is invalid and has enjoined the defendant-patentee from suing thereon, may that court issue a supplemental injunction enjoining that patentee from suing customers of the plaintiffs under the cloak of another corporate shell in another circuit of our federal judicial system for infringement of a later-issued patent, which is invalid for substantially the same reasons as the earlier patent? We think the answer should be in the affirmative. On principle and logic, and on those precedents which look toward a sensible, flexible and expeditious administration of justice, we hold that the District Court has the power to enjoin the defendant's attempt to relitigate *already-tried* issues." 247 F. 2d at page 942 (emphasis supplied).

Obviously, in *Helene Curtis,* unless a supplemental injunction were issued, the earlier injunction would have been rendered ineffectual. As *Helene Curtis* held, ". . . the District Court has the power to enjoin the defendant's attempt to relitigate already-tried issues." 247 F. 2d at page 942. In the instant case, there is no attempt to relitigate any already tried issues. Petitioner's argument fails to distinguish between the relevant and the irrelevant.

Another of petitioner's arguments is that one of the abuse of process actions has been removed and is presently pending before the same District Court which issued the injunction, and that, therefore, no question of 28 U. S. C. § 2283 is involved with regard that action. Petitioner argues that what is really involved is the inherent power of the District Court to control the cases on its docket. Once again, petitioner cloaks its argument in terms of preventing "concurrent litigation involving the same facts and the same issues which are presently before it." Such litigation is, however, not involved in this case.

It is a fundamental principle that "an injunction will not ordinarily be granted in one action to enjoin proceedings in the same Court in another action, whether at law or in equity." *Musgrove v. National Surety Corp.*, 191 F. Supp. 1, 3 (D. Ala. 1961). The reason for this principle is obvious. If the prior action does constitute a bar to the subsequent action, there is no reason why such a bar cannot be pleaded as a defense in the subsequent action. There is neither reason nor basis for an extraordinary remedy such as that of injunction.

CONCLUSION.

Every one of petitioner's reasons for seeking a writ of certiorari, amounts to a variation of the same theme, and that theme involves the repeated striking of a wrong note—the repeated failure of petitioner to distinguish between the relevant and the irrelevant.

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

HARRY SHAPIRO,
DAVID N. BRESSLER,
HENRY A. STEIN,
Counsel for Respondent.

SUPREME COURT, U. S.

FILED

OCT 7 1967

JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 391

JOSEPH BANCROFT & SONS CO.,
Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

REPLY OF PETITIONER TO RESPONDENT'S BRIEF IN OPPOSITION

THOMAS M. MARSHALL
59 Maiden Lane
New York, N. Y.

THOMAS N. O'NEILL, JR.
1421 Chestnut Street
Philadelphia, Pennsylvania
Counsel for Petitioner

Of Counsel:

JAMES H. CALLAHAN
KENYON & KENYON
New York, New York

C. BREWSTER RHOADS
MONTGOMERY, MCCRACKEN, WALKER & RHOADS
Philadelphia, Pennsylvania

INDEX

PAGE

REPLY TO RESPONDENT'S COUNTER-CITATIONS TO OPINIONS BELOW 1

ARGUMENT 4

CONCLUSION 6

CITATIONS

Helene Curtis Industries, Inc. v. *Sales Affiliates Inc.* 247 F. 2d 940 (2d Cir. 1957) 6

Sperry Rand Corp. v. *Rothlein,* 288 F. 2d 245 (2d Cir. 1961) 6

United States v. *Powell,* 379 U. S. 48 (1964) 6

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 391

JOSEPH BANCROFT & SONS CO.,
Petitioner,

v.

SHELLEY KNITTING MILLS, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

REPLY OF PETITIONER TO RESPONDENT'S BRIEF IN OPPOSITION

REPLY TO RESPONDENT'S COUNTER-CITATIONS TO OPINIONS BELOW

At page 2 of the Brief in Opposition, the respondent alleges that petitioner creates a mis-impression that there was a previous hearing at which some evidence had been submitted relevant to respondent's causes of action for conspiracy and abuse of process prior to these held in further-

ance of the District Court's Memorandum Opinion and Order of December 26, 1964. Petitioner submits that this is no "mis-impression" because, in fact, there was a previous hearing: the nineteen day trial during the early part of 1962. There were also two hearings pursuant to the Order of December 26, 1964, namely February 2, 1965 and February 17, 1965.

At the request of respondent's counsel, the District Court explained the import of its December 26, 1964 Opinion and Order at the "hearing" on February 2, 1965, as follows (R. 335a-336a):

> "Well, now, to attempt to amplify orally what was the intent of [the order of December 26, 1964]. . . .
>
> In view of my understanding of the law that it is this court's duty to note promptly any allegation of bad faith or abuse of this court's process, or attempt at its abuse, and since I think the law is clear that this court may not permit its process to be abused, . . .
>
> What I propose to do is to make specific findings in this case on those issues of abuse of process, bad faith, malicious abuse of process and conspiracy so to do in this court in relation to action 25092, which was before me.
>
> *"I realize I might have done that on the record which already existed.* However, I felt that some complaint might be made by one counsel or the other of want of notice of my intention so to do, or that one counsel or another may have felt that they were deprived of due process in some sense by being denied an opportunity to offer *additional* or *supplemental* evidence on those scores . . ." (Emphasis added)

Again, at the hearing of February 17, 1965, the court stated (R. 341a):

> "We have now inquired of counsel whether, responsive to our original memorandum and order [of December 26, 1964], either side desires to supplement the original trial record in this case by additional evidence, it being our intention to afford each of the parties the opportunity so to do if either wishes.
>
> "Both parties by their counsel have now indicated that neither party wishes to offer evidence additional to the present original record, in connection with the memorandum and order filed by this Court December 26, 1964.
>
> "Senator Shapiro, have I correctly stated the status and the developments in the proceedings?
>
> MR. SHAPIRO: You have, sir.
>
> THE COURT: Mr. Phillips?
>
> MR. PHILLIPS: Yes sir."

The Court is also referred to the District Court's opinion of September 2, 1965, wherein the court said:

> "In the course of the lengthy proceedings in the present case, Shelley's counsel, in the presence and hearing of the trial judge, repeatedly charged Bancroft with bad faith in the institution of the action and declared Shelley's intention to sue Bancroft for misuse of the Court's process. . . . mindful of our inherent *power and duty to prevent abuse of the Court's process*, 21 C. J. S. Courts, Sec. 88, p. 138, we gave serious and deliberate consideration to the question of Bancroft's motivation in bringing suit . . . our adjudication [December 26, 1962] in Ban-

croft's favor necessarily reflected our conclusion that Bancroft brought the action in good faith and with no ulterior motive." (Appendix B, p. 5a, emphasis added)

The opinion of the Court of Appeals takes no issue whatsoever with the factual statements of the District Court that it had heard these allegations during the trial, had considered them and had ruled against respondent in making its Adjudication of December 26, 1962.

ARGUMENT

The respondent's entire Brief in Opposition is directed to an argument that its charges of abuse of process and conspiracy were irrelevant to the *cause of action* before the District Court and that that is what the Third Circuit held in its opinion of March 8, 1967. The respondent also argues that the grounds asserted in the Petition for a Writ of Certiorari of the petitioner are nonexistant because petitioner fails to differentiate between a cause of action for malicious abuse of process and one for malicious use of process.

This misstates petitioner's position. It makes no difference whether the particular cause of action or defense is labeled one for abuse of process, misuse of process, malicious prosecution, waiver or estoppel. The important consideration is that the respondent at the trial of this action made the charges and adduced evidence to prove certain facts during the course of the trial. Respondent admits that it attempted to prove these facts to substantiate its defenses of waiver and estoppel.

There is no serious challenge to petitioner's position (and the District Court's opinion) that the underlying facts upon which the respondent based its case of waiver

and estoppel during the trial of the main action are the same as the underlying facts upon which it based its causes of action for malicious abuse of process and conspiracy in the state court. A comparison of the essential allegations of fact in respondent's Complaints in the state court (R. 297a-304a and R. 305a-309a) with the evidence adduced by respondent at the trial and the argument of respondent's counsel after the trial in its attempt to sustain the defenses of waiver and estoppel is set forth below:

Allegation	Trial Record
Petitioner had promised respondent certain financial and advertising assistance, but the promises were never intended to be kept. (R. 300a-301a)	R. 106a-109a, 133a, 163a and 193a
That a partial advance was made by petitioner, while repeating promises of further financial and advertising assistance. (R. 301a)	R. 194a, 203a
That petitioner attempted to persuade a prospective vendee not to buy respondent's sweaters. (R. 301a)	R. 119-123a, 197a
That the suit for trademark infringement, unfair competition and breach of contract was brought in bad faith to drive the respondent out of business. (R. 301a, 308a)	R. 33a, 73a, 195a-197a

The above shows that the new suits are an attempt to relitigate facts already tried and argued before the same District Court in which respondent's abuse of process action is now pending along with this action. Respondent's position then, is that the evidence which it adduced and which

it argued was conclusive in support of its defenses of waiver and estoppel was not and is not *relevant* in the trial of this action. Obviously respondent takes this position to avoid the effect of collateral estoppel and to nullify the benefit to the petitioner of the District Court's adjudication.

The constant repetition in the respondent's opposition brief that its actions were brought in the State Court does not change the fact that the abuse of process action was removed and is presently pending in the United States District Court for the Eastern District of Pennsylvania, the same Court in which the instant action is pending.

Clearly the additional findings and conclusions in this action are relevant to petitioner's right to a final judgment in this action. Contrary to respondent's assertions petitioner does distinguish between the action for misuse of process and abuse of process and the conflicts of decisions are clear. It is only when respondent laboriously reads "abuse" as really meaning "misuse" in those decisions that the cases upon which petitioner relies can be distinguished.

The conflict between the decision of the Court of Appeals and this Court's holding in *United States* v. *Powell*, 379 U. S. 48 (1964) and the Second Circuit's decisions in *Helene Curtis Industries, Inc.* v. *Sales Affiliates, Inc.*, 247 F. 2d 940 (2d Cir. 1957) and *Sperry Rand Corp.* v. *Rothlein*, 288 F. 2d 245 (2d Cir. 1961) is clear and can only be resolved by this Court.

CONCLUSION

The "theme" of petitioner's reasons for seeking this writ is repeated throughout the petition. The "discord" is between the District Court's proper discharge of its duty consistent with sound law and the opinion of the Court of Appeals which ignores sound judicial principles and established law. This Court should remove as a precedent the decision of the Court of Appeals.

Respondent's opposition highlights the importance to the Federal Judicial System that these current and critical issues be resolved by this Court.

Respectfully submitted,

THOMAS M. MARSHALL
THOMAS N. O'NEILL, JR.
Counsel for Petitioner

Of Counsel:

JAMES H. CALLAHAN
KENYON & KENYON

C. BREWSTER RHOADS
MONTGOMERY, MCCRACKEN, WALKER & RHOADS